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ABSTRACT

A study was conducted to discover ways to improve California school district facilities improvement processes so that the state can accommodate the increasing numbers of students projected by the year 2000. This report presents findings and recommendations that address the following three primary problem areas the state confronts: funding; process; and policy requirements. The first issue addressed is that California cannot afford to be an endless source for school facilities spending and that its primary interest in school facilities is to ensure equity for students. The second issue is that California is micro-managing school construction projects, thus delaying the completion of and driving up the cost of school facilities. The third issue is that California state policies and requirements are either blocking or not promoting long-range planning and creative asset management practices for school districts. It stresses that each area hampers districts at a time when they need to move quickly and decisively to meet the needs of students. A new funding dynamic is recommended that places California in partnership with districts not able to meet their needs, but still allows them autonomy over their own schools. Further recommended are changes in approvals for general obligation bonds and a relaxing of state minimum standards for schools and classrooms so they are more flexible and capable of meeting modern needs. The state is also urged to take a one-stop shopping approach to the procedures it requires of school districts in the application and approval process for school construction; and relax the rules, laws, and regulations related to construction to give districts a greater autonomy. Appendices include Commission information and enrollment statistics. (GR)

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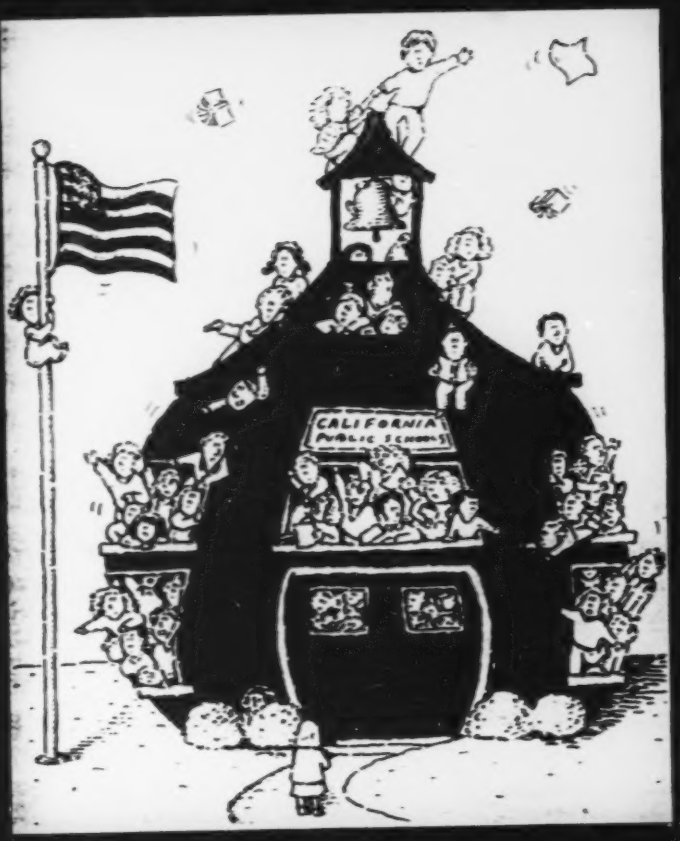

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Dear Governor and Members of the Legislature:

Schools throughout the State are threadbare and bursting at the seams. Crowded districts bus students long distances, sometimes right past vacant facilities owned by other school districts. School officials complain bitterly that there is never enough state funding for needed new construction and maintenance of existing facilities. Faced with an anticipated increase of 2 million students by the year 2000, California is struggling with a school facilities crisis.

During the past year, the Little Hoover Commission has examined the school facilities situation. In the course of its study, two factors became clear to the Commission:

* School districts want to keep control of facility decisions but are demanding that the State foot the bill. No where is this more clear than in Los Angeles, where the school district expects the State to pay for a $100 million downtown high school despite the existence of cheaper alternatives.

* School officials, for the most part, have developed little expertise in caring for existing facilities and proactively managing property assets. Nothing compels school districts to use their assets wisely or fully before turning to the State for a handout.

The Commission focused on three areas in its study: the source of funding for facilities, the State approval process for building schools, and State policies that constrain districts from maximizing the use of their assets. In each area, the Commission developed recommendations designed to return facility decisions and the responsibility for funding to local districts so that authority and responsibility will rest in the same hands.

In addition, the Commission recommendations move away from state micro-management and toward the setting of general standards so that any necessary approval processes will be simplified. Finally, the recommendations aim to free the hands of school districts that have the initiative, knowledge and willingness to manage assets well.

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The Commission's report contains four findings and 16 recommendations. The following summarizes the major recommendations:

1. Local school districts should bear the responsibility for raising school construction funds locally. The State's financial role should be limited to:

   * Ensuring equity of facilities for students in low-wealth districts through one of several models that would equalize funding opportunities.

   * Providing a safety net for those districts that are unable to meet their school facility needs. The safety net program, which would turn over all facility decisions to the State, would provide portable buildings at existing school sites.

2. The State should place on the ballot for voter consideration a measure that would modify the number of votes needed for the passage of local school construction bonds.

3. The State's approval process should adopt a one-stop shopping format and should be streamlined to focus only on ensuring that general standards are met.

4. Urban school districts should be allowed to make use of vacant office buildings as a temporary measure if the construction can be shown to be equivalent to the standards imposed by the Field Act.

5. If the State is going to continue to demand that school facilities meet safety assurances found in the Field Act despite the extra costs involved, then it should increase its enforcement efforts to ensure that existing facilities are brought up to Field Act standards.

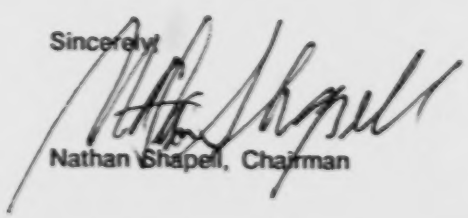
6. The State should enact legislation to allow students to attend any school in any district if their own neighborhood school is too crowded to accept them. This would allow students to cross district lines to attend underused facilities and would encourage districts to make use of vacant schools.

7. School districts should be required to follow the same life-cycle maintenance standards that the State enforces for homeowner associations so that the public is protected from mismanagement and disrepair of real property assets.

Once the State has limited its own role to ensuring safety, setting general standards and providing equity, the real job will be in the hands of the school districts. The districts will have to convince local residents that the need for facilities exists and that the district plan to meeting those needs is realistic. They will have to establish good working relationships with local planning bodies to ensure that development and growth takes school facilities into consideration.

In short, instead of blaming the State for problems, school districts will have local control over their decisions and local responsibility to sell those decisions to local voters. The State's children will attend schools that provide a good environment for learning only if the districts take the steps that will allow them to live up to their obligations.

Sincerely,



Nathan Shapell, Chairman

No Room for Johnny

A New Approach to the School Facilities Crisis

June 1992

Table of Contents

Section	Page
Executive Summary	i
Introduction	1
Background	7
Findings and Recommendations	
The Search for Funding	25
Entangled in the Process	53
Untying Their Hands	87
Conclusion	103
Appendices	
School Facilities Subcommittee and Advisory Committee	111
School Facilities Public Hearing Witnesses	113
K-12 Enrollment, 1920-2005	115
Excerpt from Field Act Cost Impact Study	117
Endnotes	133

Table of Charts

Chart		Page
Chart 1 -	K-12 Student Enrollment, 1920-2005	10
Chart 2 -	Projected Growth in Enrollment, 1991-92 through 1999-2000	12
Chart 3 -	Geographical Distribution of K-12 Students, 1979-1999	13
Chart 4 -	Geographical Distribution of K-12 Students, 1999-2000	14
Chart 5 -	Projected Enrollment Growth by Counties 1990-2000	15
Chart 6 -	Los Angeles Unified School District Projected Enrollment	18
Chart 7 -	Three Approaches to Meeting School Facility Needs	20
Chart 8 -	California's Projected Capital Outlay Needs, 1991-2000	21
Chart 9 -	Latent Bonding Capacity of Selected School Districts	33
Chart 10 -	Sample Guaranteed-Yield Program Schedule	43
Chart 11 -	Kansas School Facilities Program With State Paying 50 Percent at Median	45
Chart 12 -	Kansas School Facilities Program Sample of School District Bond Payment Subsidies	46
Chart 13 -	Sample State Allowances for Construction	59
Chart 14 -	State School Building Lease-Purchase Program Flow Chart	62-65
Chart 15 -	Time Required to Perform Plan Check	67
Chart 16 -	Field Act, Uniform Building Codes Comparison	73
Chart 17 -	Increase in Costs for Field Act Construction	80

Executive Summary

Executive Summary

California is facing dramatic growth in K-12 student population through the end of this decade, with today's 5.1 million students expected to balloon to 7 million by the year 2000. The need to provide school facilities for these children will exceed anything the State has experienced since the post-World War II Baby Boom when the school population doubled in 10 years.

Estimates of the construction tab to provide school facilities for the so-called "Baby Echo" range from $30 billion to $35 billion, if no cost-saving alternatives are used (such as year-round use of facilities, more intensive use of prefabricated buildings and reopening of unused facilities).

Unfortunately, this strain on school facilities comes at a time when the State can ill afford to underwrite the need. Facing approximately $55 billion in capital outlay projects in the next 10 years, the State must decide where to spend its limited resources among many competing infrastructure demands. In contrast, school districts have ample, untapped bonding capacity. But they face many barriers to winning local support for projects.

Funding is not the only problem that faces school districts that are trying to meet the need for facilities. Districts endure a complex project approval system that forces them to deal with multiple state agencies. They also are hindered by some state policies from pursuing proactive asset management opportunities.

The State cannot afford to be a bottomless pocket for school facilities spending; its primary interest in school facilities is to ensure equity for students.

Under stress from a poor economy and burgeoning population growth, California is faced with competing demands for its limited resources. Even for issues in which the State acknowledges both authority and responsibility -- such as health care, transportation and corrections -- the State has been unable to fund programs and infrastructure that it recognizes are needed.

In the case of school facilities, with authority firmly vested at the local school district level, it is difficult for the State to act as construction bankroller and hand out blank checks to pay for decisions it has little control over. However, courts within the State and across the nation have made it clear that, regardless of local control over education, states must act to protect the right of students to equal access to education. California, therefore, needs to ensure that facilities are equitable.

In the late 1970s and early 1980s, Proposition 13 and other factors combined to derail the traditional approach to school construction financing. But a new assessment of the respective capabilities of the State and school districts to meet funding needs, and a realistic approach to the division of responsibilities between the State and school districts, should lead to a new funding dynamic. The system that emerges should meet the goal of providing equitable, educationally adequate facilities in an economic and efficient manner with as little bureaucratic processing as possible.

Recommendations:

1. **The Governor and the Legislature should modify the Leroy F. Greene State School Building Lease Purchase program to return the responsibility of funding new school facilities to the local school districts, thereby limiting the State's financial role to ensuring equity and providing a safety net.**

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2. **The State Department of Education should convene a task force to determine advisory (rather than prescriptive) standards for adequate, modern school facilities that can be adopted by the State in place of the current minimum standards.**

3. **The Governor and the Legislature should place a constitutional amendment before voters to modify the approval threshold of general obligation bonds in a manner consistent with the most cost-effective use of the bonds issued.**

The State has created a cumbersome program that micro-manages school construction projects, thus delaying the completion of and driving up the cost of school facilities.

The birth of a new school facility comes about only after an elephantine gestation that involves the participation of the local school district, the Department of Education, the Office of Local Assistance (an office within the Department of General Services), the State Allocation Board, and the Office of the State Architect.

Because the State's process may take 18 months or longer, school districts cannot move expeditiously to meet facility needs. During times of inflation, delays add to the cost of projects both in rising land values and in higher prices for construction costs. In addition, costly temporary measures to house students -- such as busing them long distances -- may occur because of process delays.

State bureaucracies are often created for purposes of control: seeing that the State receives value for money spent or ensuring that standards are adhered to. But bureaucracies should also be designed for public service, meeting the needs of their "customers." To provide service rather than just control, the State needs to streamline its school facilities approval process.

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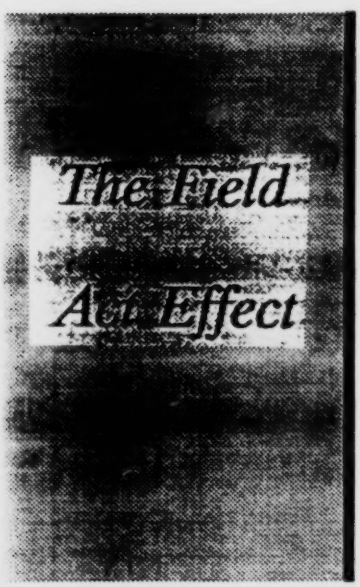
Recommendations:

4. **The Governor and the Legislature should create a one-stop shopping system so that school districts have a single point of contact for school facility projects.**

5. **The Governor and the Legislature should set workload parameters within which the State Architect could exercise independent authority to use school fees to hire retired employees or contract out for plan checking services.**

6. **The Governor and the Legislature should require the Office of the State Architect to convene a panel to receive input and review interpretive guidelines and operating procedures.**

7. **The State Architect should proceed with administrative changes to address the delays and inconsistencies he has identified in the school facilities plan check process.**



The Field Act limits school district flexibility in meeting classroom needs and increases school construction costs, but provides an added assurance of safety.

The Field Act, California's landmark school structural safety law, is sometimes cited as a reason school districts are unable to quickly and economically meet student space needs. Schools, for the most part, cannot place students in structures that were not built under the Field Act and, therefore, may not be able to consider existing, vacant buildings as alternatives when seeking classroom space.

The Field Act and its associated regulations clearly provide more ***assurance*** of structural safety than does the Uniform Building Code (UBC), although the actual structural safety advantage is only slight if UBC requirements for high-quality buildings are properly and

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rigorously enforced. (Both types of buildings have withstood recent earthquakes well.) The price for the added assurance is almost 4 percent of construction costs. While this sounds like a small factor, it adds up quickly when the cost of construction is expected to be billions of dollars. By at least one estimate, the cost of school construction during the next five years will be about $340 million higher because of the Field Act requirements and process.

Nonetheless, those connected with school facility policies appear to be in agreement that the added cost is a good trade-off for increased assurances of safety and durability. Still, tens of thousands of students -- and perhaps as many as 2 million -- attend classes each day in non-Field Act space because of waivers, exemptions and lack of enforcement. It is, therefore, not out of line with current State policies and practices to recognize that there are valid reasons to have both temporary and permanent exceptions to the Field Act.

Recommendations:

8. **The Governor and the Legislature should establish an inspection process that would allow a 10-year waiver for school districts to use UBC Type I and Type II buildings as classroom space when enrollment projections exceed available or expected resources to meet those projections.**

9. **The Governor and the Legislature should establish an inspection process that provides school districts with a permanent Field Act equivalency certificate for UBC Type I and Type II buildings that offer joint education opportunities.**

10. **The Governor and the Legislature should augment the inspection budget of the Office of the State Architect and give the office increased enforcement powers to deal with school structures and portables that are not in compliance with the Field Act.**

11. **The Governor and the Legislature should extend the existing three-year waiver to a more reasonable time frame that would allow school districts to pursue realistic plans to eliminate the need for a waiver.**

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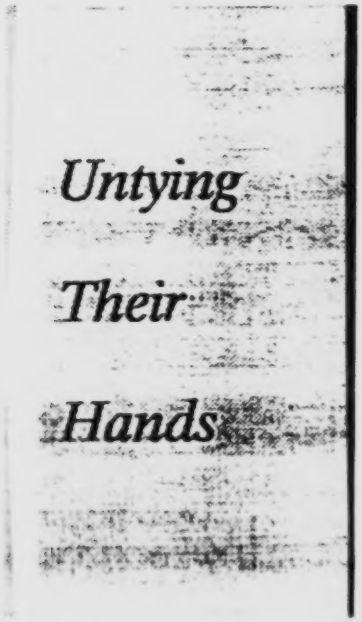

Many state policies and requirements have either blocked or not promoted long-range planning and creative asset management practices for school districts.

The State requires school districts to have five-year facility master plans and provides, through the Department of Education, numerous planning guides and ample information to assist schools with long-term planning. But at the same time, many state laws and policies work against school districts engaging in proactive asset management and, as a result, deprive districts of opportunities to maximize revenues.

What appears to set these forward-thinking school districts (and others like them that the Commission may not be aware of) apart is an attitude that the problem of school facilities is the responsibility of the school district -- not some other level of government. These districts use the wide range of alternatives available to them, forge community support by clearly expressing the problems and potential solutions, and move ahead in conjunction with other levels of local government to meet needs.

School districts can be told to fill out forms and meet state requirements, but it does not appear that it has been possible to mandate that they "do a good job" of planning and property management. In fact, some state policies and requirements appear to be counterproductive in terms of maximizing local responsibility and stewardship.

Recommendations:

12. **The Governor and the Legislature should modify the Naylor Act to require full market value pricing for sale of land for the purpose of developing school facilities or, at the very least, give school districts an equal opportunity to purchase surplus land from other governmental entities at discounted prices.**

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13. **The Governor and the Legislature should abolish unused-site penalties and requirements that discourage school districts from maximizing revenues from assets.**

14. **The Governor and the Legislature should direct an appropriate state body to determine the added cost to school construction of public policies that dictate the use of prevailing wage and that set goals for minority/women enterprise participation.**

15. **The Governor and the Legislature should enact legislation to allow students to attend school in any district when their neighborhood school is too crowded to allow them to attend.**

16. **The Governor and the Legislature should create a task force to examine the deferred maintenance practices and make recommendations that will place future building upkeep efforts on a sound foundation.**

While the State needs to continue to ensure safety, set standards and provide equitable school facilities for children, it is time to return the responsibility and authority for schools to local districts. To be successful, districts will need to form partnerships with local governments and planners. More importantly, the districts will have to establish credibility with local voters so that when the need for facilities occurs, residents will be willing to support bonds to meet those needs. Only when districts take the steps that allow them to meet their obligations will California's children be assured of attending school in a good environment for learning.

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Introduction

Introduction

Johnny can't read, he can't write, and he can't speak English. Those are the familiar, often hyperbolic indictments of California's education system. But today another issue is working its way to the top of the list of school woes: Johnny can't find a classroom that he can squeeze into. Or if he can, the ceiling may be leaking and the paint may be peeling.

California is undergoing the fastest surge in student population since the post-World War II baby bulge that jammed schools in the 1950s. Now, as then, school districts are scrambling to put facilities in place before the students arrive on the doorstep.

There are, however, key differences today -- and those differences have created barriers for school districts as they try to meet the needs of students swiftly and economically. Some of the differences are common to all development and construction projects today: environmental regulations, toxic contamination concerns, and ubiquitous NIMBYism (Not In My Back Yard). Those factors make any decision about new school placement more difficult, more time consuming and more costly than it ever was in the past.

But school districts also face unique burdens that other builders and the districts' counterparts of the '50s never contemplated. These include:

* ***A shift in the balance of funding sources.*** Today, the State provides almost two-thirds of

the funding for K-12 education. In the 1950s, the bulk of funding came from local property taxes. Districts that once could command a local tax rate to meet their needs now are supplicants that stand in line with the many other competing interests that place demands on the State.

* ***The complexity of the approval process before districts can move forward with new facilities.*** Bit by bit, the State has tied strings to funding in an attempt to "encourage" districts to make certain policy decisions -- such as embracing year-round education -- and to ensure that construction of new facilities is the last option, undertaken only after existing schools have been fully utilized. The result is a complicated system that often is a disincentive to asset maximization.

* ***The lack of cohesive communities of interest to support school construction projects.*** Through consolidation and unification, school districts have grown beyond neighborhoods where there is a commonality of interests. At the same time, the voting population has aged to the point where the majority no longer have children in school. This makes it difficult for districts to win local support for new schools.

These factors hamper districts at a time when they need to move quickly and decisively to meet the needs of students. Today there are 5.1 million students. Growing by about 200,000 students a year, the K-12 population is expected to hit 7 million by the year 2000. They cannot be housed in a system that at its previous peak in 1970-71 had space for 4.5 million students.

Because of the huge demands and multiple barriers facing school districts, the Little Hoover Commission embarked on a study in October 1991 to determine what should be done to improve the school facilities process. Under the direction of a subcommittee of three Commissioners, a School Facilities Advisory Committee was convened (please see ***Appendix A*** for a list of those who were invited to meetings and who were kept apprised of progress throughout the course of the study).

In addition to conducting meetings of the Advisory Committee to explore general issues, the Commission led several sessions of more-narrowly focused working groups to examine proposed solutions to problems. The Commission also conducted a public hearing in March 1992 in Sacramento to air the concerns of all interested parties

(please see ***Appendix B*** for an agenda of speakers at the hearing).

Combining the input from these meetings with an extensive review of literature and in-depth field interviews, the Commission arrived at the findings and recommendations embodied in this report. The report begins with a transmittal letter and **Executive Summary**, followed by this ***Introduction*** *and* a ***Background*** section. Findings and recommendations are presented in three sections entitled ***The Search for Funding, Entangled in the Process,*** and ***Untying Their Hands.*** The report ends with the ***Conclusion, Appendices*** *and* ***Endnotes.*** Major points from each section are highlighted on the section dividers.

Background

- *California is undergoing the fastest surge in student population since the post-World War II Baby Boom. Today there are 5.1 million students; by 2000, there will be more than 7 million.*

- *The cost for creating school facilities for these added students during the next decade could be $33 billion. This cost could be trimmed by:*

    1) *heavier reliance on prefabricated buildings.*

    2) *more intensive use of existing schools through year-round calendars.*

    3) *reopening vacant facilities.*

    4) *creative partnerships with private-sector facilities.*

- *Existing facilities are in poor repair, with more than $1 billion in backlogged maintenance needs.*

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Background

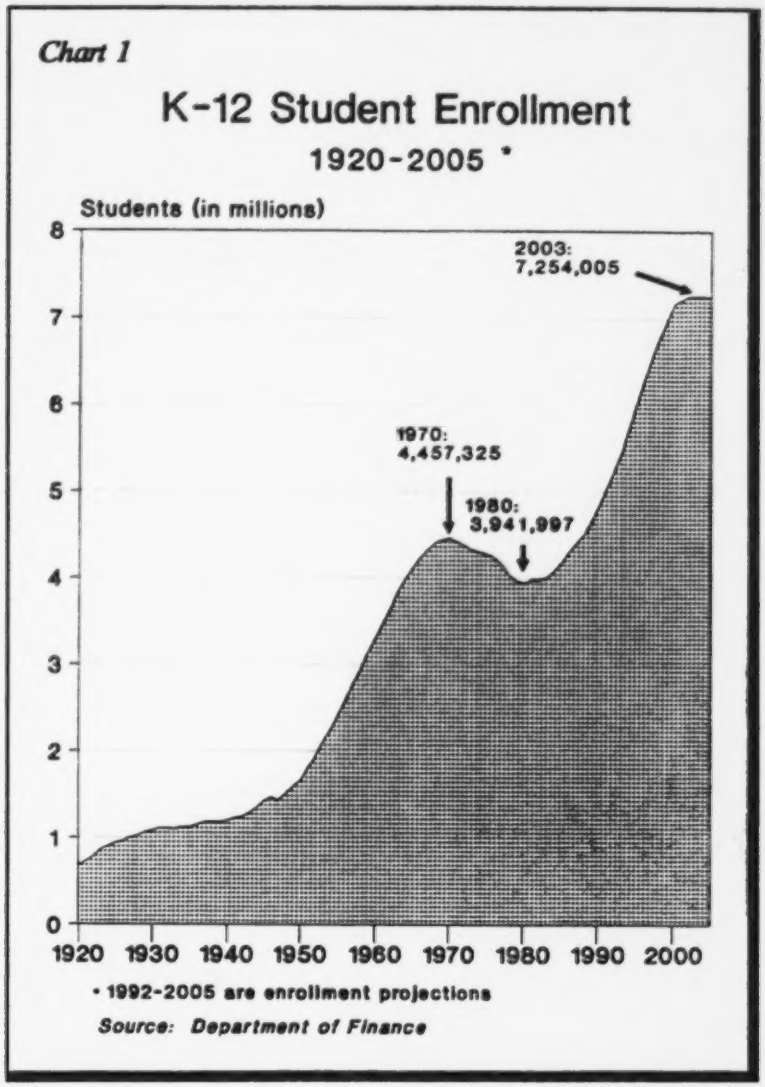
The overall school facilities picture is a gloomy one. Students are pouring into California's education system at a frightening rate, the price tag for new facilities is enormous at a time when the State's other infrastructure needs are huge, and present school structures are strained and deteriorating.

Student Population Is Exploding

California is receiving a huge influx of new students. While population growth in general is a predictor of student increases, the correlation is not direct. Throughout decades of population growth, the State has had cycles of increasing and diminishing student population as birth rates rose and declined. Demographic experts usually generalize these as 20-year cycles.

Appendix C is a chart showing the student population changes in public school since 1920 (enrollment from 1992 through 2005 is projected). The information is shown graphically on the next page.

Chart 1



As the chart indicates, schools go through irregular periods of growth and decline. From 1920 through 1947, enrollment either grew very little or declined. Beginning in 1948, the student population exploded, increasing at annual rates of between 5 percent and 9 percent until 1964, when growth began tapering off at less than 4 percent a year. In fact, during the decade from 1950 to 1960, the student population almost doubled.

Small increases in student population continued until 1970 when student enrollment peaked at 4.457 million students. Student population declined for the next decade until enrollment was 3.941 million in 1980. Then began a steady climb, with the enrollment surpassing 1970's 4.5

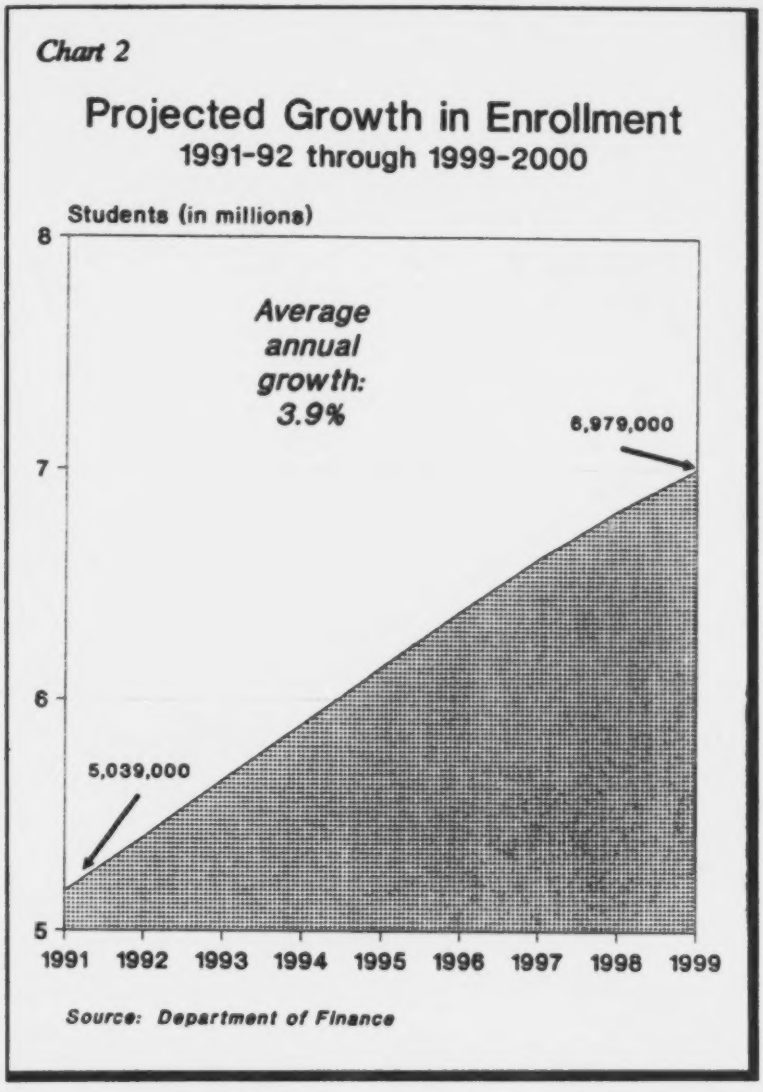
million peak in 1988. By 1991, student population was about 5.1 million, with an annual growth rate of close to 4 percent. But the growth rate is expected to slow in the coming decade, with student population peaking at 7.254 million in 2003 and declining thereafter.

A great deal of that student growth can be attributed to the State's steady increase in births that began in the mid-1970s when the population bulge known as the Baby Boom reached child-bearing age. The present increase in births -- the "Baby Echo" -- is usually attributed to two factors. The State is seeing a significant influx of immigrants who, because of cultural influences, have higher birth rates. And many members of the Baby Boom generation are having children in their late thirties and early forties, having delayed parenthood for career or philosophical reasons.

Just like the general population growth, the birth rate is not an absolute predictor of school population. The birth rate begins to have its effect on schools five years later when children enter kindergarten. But new children also enter the education system at all grade levels when they move to the State with their parents. In addition, an influx of new students in kindergarten does not mean those same students will create a population explosion in the high school senior class 12 years later. The State acknowledges a dropout rate of close to 20 percent, although many believe a more accurate count would show a much larger percent of dropouts. And many people emigrate out of the State, taking their school-age children with them.

All of these considerations, which are subject to changing patterns of societal practice and trends, make demographic predictions difficult. But any attempt at long-term planning requires school districts to look ahead to the demands that will be placed on them. The chart on the next page focuses on the current and projected enrollment through the end of the century.

Chart 2



As the chart above shows, today the State's K-12 schools have slightly less than 5.1 million students, a number that is expected to rise to 5.3 million in 1992-93. By 1999-2000, the student population will reach almost 7 million, but at that point the number of incoming kindergartners is expected to decline, setting the stage for the end of the 20-year cycle of growth. The average annual growth rate for the decade will be 3.9 percent.

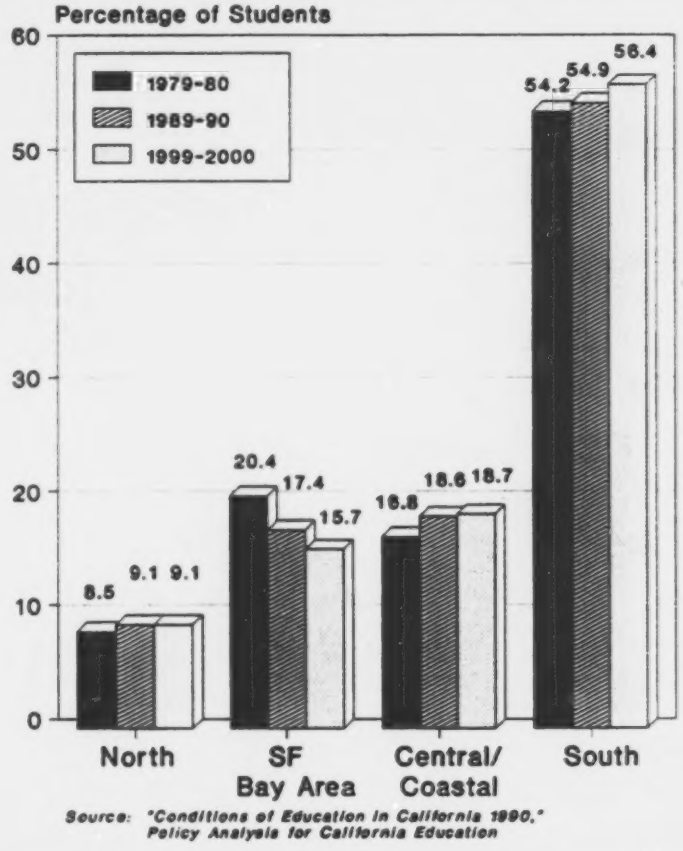
Some Regions Harder Hit Than Others

Raw numbers of students are only one factor in determining school facility needs. Geography also plays a role, both within the State and within individual districts. Looking at the State as a whole, the chart below shows how the proportions of school enrollment

are expected to change over two decades in Northern California, the San Francisco Bay Area, the Central/Coastal region and Southern California.

Chart 3

Geographical Distribution of K-12 Students, 1979-1999



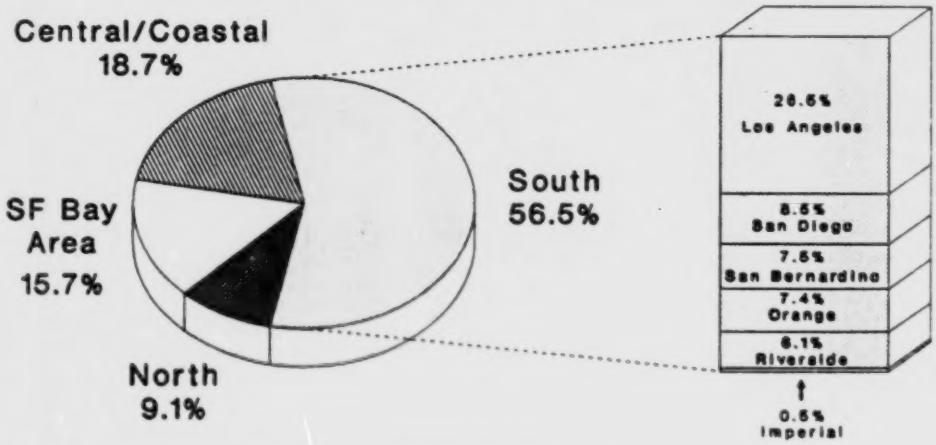
Source: "Conditions of Education in California 1990," Policy Analysis for California Education

As the chart indicates, the Bay Area has a declining proportion of K-12 students. Its share of students will drop from the current 17.4 percent to 15.7 percent by the end of the century. Northern California and the Central/Coastal area have grown only slightly and appear fairly stable with 9.1 percent and 18.6 percent, respectively. Southern California continues to gain a higher proportion of the state's students, with expected growth from almost 55 percent in 1989-90 to 56.4 percent in 1999-2000.

The majority of the State's school children are expected to continue to be in Southern California, as highlighted in the chart below.

Chart 4

Geographical Distribution of K-12 Students, 1999-2000



Source: "Conditions of Education in California 1990," Policy Analysis for California Education

As the chart indicates, by the year 2000 five counties -- Los Angeles, Orange, Riverside, San Bernardino and San Diego -- are projected to have nearly 56 percent of the students. Los Angeles County is expected to have 26.5 percent of the students -- a percentage that means that more than one out of every four public school students in the State will be in one county.

The growth rate in three of the Southern California counties -- Riverside, San Bernardino and San Diego -- is expected to exceed the statewide annual average of 3.9 percent during the 1990 decade, with growth rates of 7.5 percent, 6.7 percent and 4.4 percent, respectively. The chart on the next page shows the growth rates for all counties by the year 2000 (counties with annual growth rates that are expected to be higher than the statewide average are highlighted).

Chart 5

Projected Enrollment Growth By Counties, 1990-2000

County	% Growth 1990-2000	% Annual Growth
Alpine	**-1.4%**	**-0.1%**
Amador	**44.4%**	**3.7%**
Butte	**40.9%**	**3.5%**
Colusa	**40.7%**	**3.5%**
Del Norte	27.3%	2.4%
El Dorado	72.1%	5.6%
Glenn	34.7%	3.0%
Humboldt	19.7%	1.8%
Lake	59.0%	4.7%
Lassen	17.1%	1.6%
Mendocino	25.8%	2.3%
Modoc	18.6%	1.7%
Nevada	55.0%	4.5%
Placer	69.6%	5.4%
Plumas	3.5%	0.3%
Sacramento	50.2%	4.1%
Shasta	39.9%	3.4%
Sierra	36.4%	3.2%
Siskiyou	16.5%	1.5%
Sutter	43.8%	3.7%
Tehama	54.7%	4.5%
Trinity	17.0%	1.6%
Yolo	50.7%	4.2%
Yuba	40.6%	3.5%
North	**46.8%**	**3.9%**
Alameda	29.7%	2.6%
Contra Costa	44.4%	3.7%
Marin	27.0%	2.4%
Napa	42.1%	3.6%
San Francisco	10.2%	1.0%
San Mateo	31.8%	2.8%
Santa Clara	25.6%	2.3%
Solano	56.0%	4.5%
Sonoma	43.2%	3.7%
Bay Area	**32.5%**	**2.9%**

County	% Growth 1990-2000	% Annual Growth
Calaveras	66.6%	5.2%
Fresno	49.7%	4.1%
Inyo	1.4%	0.1%
Kern	49.4%	4.1%
Kings	35.5%	3.1%
Madera	47.6%	4.0%
Mariposa	66.8%	5.2%
Merced	51.7%	4.3%
Mono	56.1%	4.6%
Monterey	31.7%	2.8%
San Benito	59.9%	4.8%
San Joaquin	46.9%	4.6%
San Luis Obispo	60.7%	4.9%
Santa Barbara	48.5%	4.0%
Santa Cruz	45.8%	3.8%
Stanislaus	67.3%	5.3%
Tulare	41.4%	3.5%
Tuolumne	52.6%	4.3%
Ventura	29.8%	2.6%
Central/Coastal	**47.5%**	**4.0%**
Imperial	35.6%	3.1%
Los Angeles	35.8%	3.1%
Orange	43.4%	3.7%
Riverside	106.7%	7.5%
San Bernardino	91.2%	6.7%
San Diego	54.5%	4.4%
South	**50.9%**	**4.2%**
Statewide	**46.7%**	**3.9%**

Highlighted counties indicate those with annual growth rates higher than the state average.
Source:* *"Conditions of Education in California 1990," Policy Analysis for California Education

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As the chart on the previous page indicates, it is anticipated that 24 counties in areas throughout the State will have growth rates higher than the statewide average. All counties, with the exception of Alpine, Plumas and Inyo, are expecting double-digit growth by the end of the decade. If projections prove accurate, Riverside County will see its student population more than double, and San Bernardino County will not be far behind with an increase of 91.2 percent. Urban/suburban counties are not the only ones that will see high growth, however. El Dorado, Placer, Calavaras, Mariposa, San Luis Obispo and Stanislaus Counties all are expected to grow more than 60 percent by the year 2000.

School districts, however, are not run statewide or even on a county-wide basis; they range from tiny one-school districts like Blake Elementary School District in Kern County with five students to Los Angeles Unified School District, which covers all or parts of 28 cities and has more than 639,000 students. Of all the school districts in the State (of which there are 1,006 as of July 1, 1992), 600 or so are growth districts with almost 50 percent of the growth coming in four Southern California counties: Los Angeles, Riverside, San Bernardino and San Diego. Orange and Sacramento Counties account for another 10 percent of the growth.[1]

Armed with the statistics detailed above, some generalizations may be made:

* Between now and the year 2000, more than 2 million additional school children will need to be housed.

* The majority of the student population increase will be in Southern California, although growth will be felt throughout the State.

It is also worth noting that, as large and pressing as the need for new school facilities appears to be, the need is not an historic high. More new schools were built during the 20-year period from 1950 to 1970 than will be needed in the next 40 or 50 years, according to one state school facilities official.[2]

Costs Difficult to Determine

Just as the demographic projections are not clear cut and are subject to future fluctuations, the cost estimates for housing the influx of students are difficult to pin down. A sampling of perspectives:

* The Department of Education has estimated that, during the next five years, more than $12.6 billion is needed for new schools. This

figure excludes the cost of land, which varies widely across the State. In general, however, the department estimates that land costs add about 25 percent to the cost of the average project in the State.[3] Thus, the department's estimate is closer to $15.8 billion.

* The Coalition for Adequate School Housing (a 700-member umbrella group of school districts, contractors, developers, architects and others, known as CASH) estimates new construction costing $30 billion (both land and buildings) is needed in the next decade.[4]

* The Office of Local Assistance, the lead agency involved in providing State funds for school construction, estimates new construction costs at $14 billion over the next five years (at today's land and construction costs). In 1991, land costs ran about 40 percent and construction costs 60 percent based on statewide averages.[5]

* The State Department of Finance places the cost of new construction at $33 billion during the next 10 years if no cost-saving measures are taken.[6]

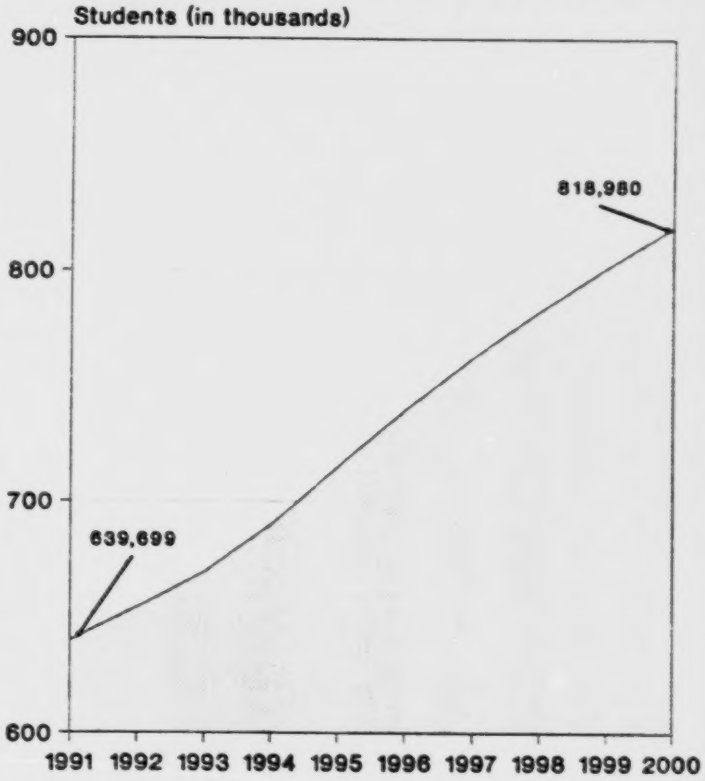
To bring the problem down to tangible terms, a school would have to be built every day from now until the year 2000, according to an often-quoted remark by State Superintendent of Schools Bill Honig. (This figure is arrived at by accommodating each year's growth of students in 365 schools that have a capacity of 600 students each.)

The problem with such bulk estimates and "tangible" tales is that they may not square with reality. As the Department of Finance points out in its analysis, its $33 billion estimate is arrived at by multiplying an average annual student increase of 213,000 by the average cost per pupil for school construction. But new construction may be avoided to some unquantified extent by using portable classrooms, changing to multi-track year-round school calendars, placing children in existing facilities that are under-utilized and taking innovative approaches.

This can be seen by looking at statistics for Los Angeles Unified School District (LAUSD). The chart on the following page shows the district's student population growth:

Chart 6

Los Angeles Unified School District Projected Enrollment, 1992-1999



Source: LAUSD Demographic and Boundary Unit

As the chart indicates, the LAUSD has almost 640,000 students this year. The district anticipates growth at roughly 15,000 students a year, for a total enrollment increase by the year 2000 of 180,000 students. This does not mean, however, that the district is planning on building 300 new schools (180,000 divided by 600 students per school).

The district estimates that by 1997, all available elementary schools will be full and by 1998 or 1999, all secondary schools will be operating at capacity. The district's plan for coping with growth includes reopening 16 schools, with a capacity of 8,440 students, that were closed in the early 1980s after the student population had declined. In addition, the district estimates that its construction needs

through the year 2000 will be $3.4 billion (including land costs) to build 105 schools (76 elementary, 13 middle schools and 16 high schools). In the meantime, faced with students who need desks and classrooms today while building plans are still in the pipeline, the district buses 24,668 students to facilities that are distant from their neighborhoods.[7]

While the available centralized data for all school districts are not considered accurate, the State's records do reflect that at least 22 school facilities with a capacity for 9,799 students are not now being used to teach public school students. Because not all districts have reported all of their unused facilities to the State, these figures clearly are conservative. It is unknown how many of these facilities are expected to be brought back into service as space demands increase.[8]

Thus, cost figures that are based simply on multiplying the number of new students by an average construction cost may not be fair indicators of needed capital outlay during this decade. There may well be other ways that students will be accommodated.

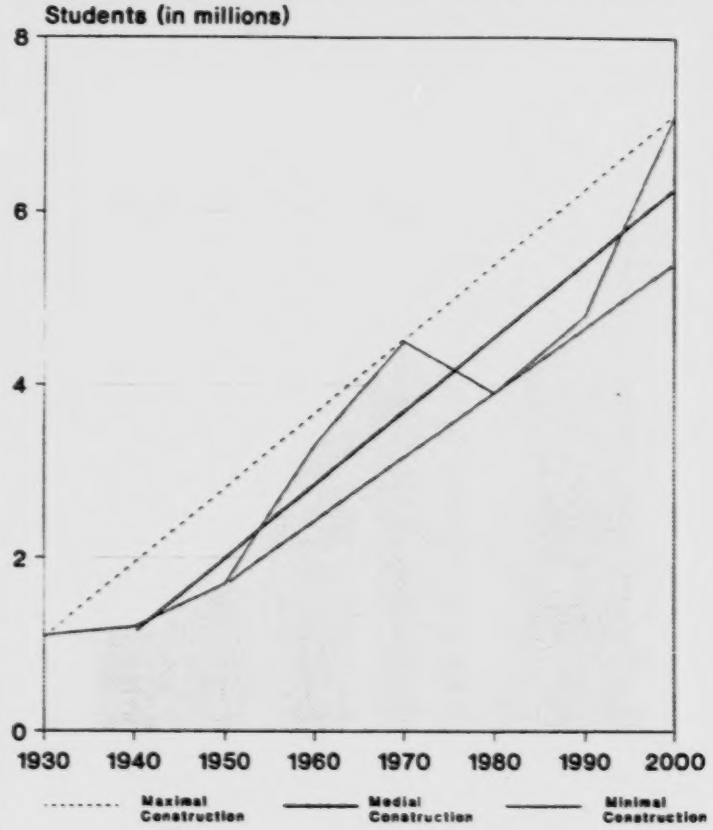
Other Cost Complications

Another problem with making long-term estimates is that cost predictions are unreliable. California's current lackluster economy has resulted in school construction bids below estimates, and the State's faltering real estate market has flattened or reduced land prices. Only a few years ago, any 10-year projection would have included a healthy inflation factor both for the cost of construction and the cost of land. Today it appears that further swings in costs -- both up and down -- may occur in the next 10 years.

Yet another consideration when trying to pin down a price tag is the goal of school construction. Is it wise to invest in fully housing the high-end of a 20-year population cycle in permanent facilities when, historically, student numbers decline and schools go unused in between baby booms? The chart on the following page compares three different approaches using the periods of accelerating growth from 1930 through the year 2000.

Chart 7

Three Approaches To Meeting School Facility Needs



The top, dotted line on the chart above reflects a construction goal of providing a seat for every child all the time in the best or most appropriate facility. This approach results in excess school capacity almost continually, an extremely expensive investment of resources.

The bottom, thin line shows a bargain-basement approach that aims for enough classroom capacity whenever student populations have reached cycle lows. This results in almost never having enough permanent facilities.

The middle, thick line approximates what actually seems to occur. As school population picks up in each growth cycle, school construction begins. Projects never

quite catch up with peak enrollment, but there is a balance between years of over-capacity and years of under-capacity.

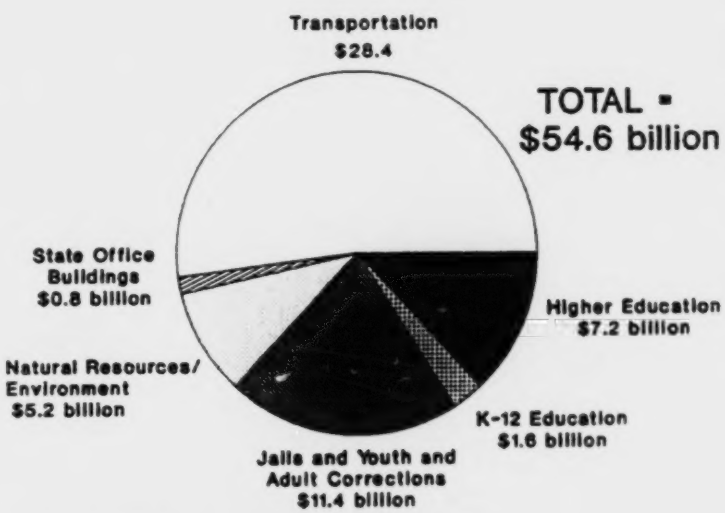
This pragmatic approach to school construction certainly is open to criticism. School children are not rutabagas that can be stored in the cellar until there is room for them in the pantry. They need to be taught now. And in the best of all worlds, each school child would have an equal opportunity to enjoy a modern facility that would enhance the educational process. The Commission heard emphatic testimony from LAUSD officials who felt that every child had a right to a proper, neighborhood school, even in expensive, already-developed downtown areas.

But California currently is having great difficulty even resembling the best of all worlds. The economy is poor, government revenues are down and demands for government services are great. The chart below details the projected capital outlay needs for the State for the next decade:

Chart 8

California's Projected Capital Outlay Needs

1991-92 through 2000-01



Source: Analysis of the 1992-93 Budget Bill, Legislative Analyst's Office

As the chart on the previous page indicates, the State is expecting to need almost $55 billion for infrastructure projects by 2001 -- and that is if the State counts its projected contribution towards K-12 schools as only $1.6 billion. The Legislative Analyst's Office estimates that if the State attempted to fill all of its capital outlay needs (including fully funding K-12 construction) with general obligation bonds, the State's debt ratio would reach a peak of 7.5 percent in 1997-98.[9] States generally are regarded as being in good health financially if their debt ratio is 5 percent or below.

Absent a popular uprising of support for new extensive taxes to build state-of-the-art schools, it is probably realistic to embark on a course that **does not** envision spending $30 billion to build a new school for every 600 children that enter the education system. Alternatives include the use of multi-track, year-round calendars to stretch the existing capacity of schools, busing children to under-used facilities, purchasing lower-cost prefabricated units for short-term use and finding creative marriages with the private sector to use existing non-school facilities.

While the Commission is unable to quantify the savings involved in such a multi-pronged approach to housing school children, it seems safe to conclude that schools could accommodate anticipated growth at a cost far less than $30 billion during the next decade. In light of other pressing priorities for State funds (such as health care) and even for educational dollars (such as books, supplies and teachers), school facility advocates may need to set their sights lower. Children have a right to an education -- but the setting where that takes place has not been constitutionally ordained to be a modern, spacious, well-equipped facility surrounded by extensive landscaped grounds, no matter how desireable that may be.

Existing Schools In Poor Repair

Finding room for new students and the money to pay for those rooms are not the only problems facing school districts. Existing facilities in many cases are deteriorating more rapidly than repairs are made. One legislator who has extensively toured school facilities throughout the State tells of classrooms with buckets strategically placed to catch rain, windows covered with dark sheets to block out the sweltering sunlight, broken light fixtures and bathrooms reminiscent of Third World slum conditions.[10]

Another telling example is a school in Arbuckle where each year needed re-painting was deferred. Finally, when flakes began to peel and fall to the ground, the district discovered that the paint was lead-based. The resulting contamination caused the school to be closed temporarily

and cost far more to remedy than timely painting would have cost.

Because each school district owns and is responsible for its own property, there is no centralized State data base to reflect the overall condition of existing schools. But the State did participate in a 1989 federal study that was designed to assess school facility needs nationally. In the study, California estimated that:

* Of its 7,125 school buildings, the condition of 55 percent (3,919) were inadequate, 25 percent (1,781) were adequate and 20 percent (1,425) were good.

* Of the 3,919 inadequate facilities, all needed major repairs, 90 percent were obsolete, 80 percent had environmental or asbestos problems, 60 percent were overcrowded and 10 percent actually were unsound structures.

* The total cost of maintenance needs in all 7,125 buildings was estimated at $1 billion.[11]

The federal study noted that California is not alone. It estimated that 25 percent of the nation's school buildings are "shoddy places for learning. They lack sufficient space, suitability, safety and maintenance for the students and teachers in them. An additional 33 percent are only adequate and because of growing enrollments and deferred maintenance could easily become inadequate."[12]

That existing schools are in such a poor state is partly a reflection of age. Many built during the Baby Boom years of the 1950s and 1960s used cheap construction techniques and were meant to have a life span of only 30 years. But budgetary decisions also have played a role. Maintenance is one of the first things to be deferred when other demands are made on a school budget, such as employee salary increases and classroom books and supplies. Eventually, deferred maintenance becomes no maintenance -- and buildings begin to fall apart or become unsafe.

Schools Face Multiple Problems

School districts face a decade of strain. They must accommodate unprecedented numbers of students. They need to find funding at a time when the economy is poor and people begrudge each new tax they are hit with. And, through good property upkeep decisions, they must move aggressively to protect the investment that already has been made in facilities.

The State's role in assisting school districts to meet these challenges is the subject of the following findings and recommendations.

The Search For Funding

- *Faced with $55 billion in capital outlay demands during the next decade, the State cannot afford needed schools.*
- *School districts have about $50 billion in untapped bonding capacity and numerous other funding mechanisms.*
- *Trends in court cases indicate the State has an obligation to ensure that school facilities are equitable.*

Recommendations:

- *Return responsibility for school facility funding to local districts.*
- *Make it easier for school districts to win voter approval of bonds.*
- *Ensure facility equity with a program that takes into account pupil population, assessed valuation and bond obligations.*
- *Create a safety-net, portable classroom program for districts that cannot meet facility needs.*

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The Search For Funding

Who should pay for school facilities? This six-word question is not simple to answer or even to discuss because it can be addressed at so many different levels:

* ***Should the State foot the bill*** rather than individual school districts? But:

  1) Local control of education remains sacrosanct.

  2) The largest influx of student growth is at one end of the State where facilities that have to be built will be expensive.

  3) The State has heavy demands on its bonding ability, unlike school districts, which have ample unused debt capacity.

* ***Should new development bear the burden*** of the cost of new school facilities? But:

  1) Student population growth occurs just as often in older housing as in new developments.

2) Affordable housing prices become difficult to achieve as more and more fees are added to new developments.

* ***Should small pockets of local residents tax themselves*** for the schools they want? But:

  1) The result will be vast disparities between neighborhoods in the quality of facilities that children are able to attend.

  2) School districts may bus in other neighborhood's students to individual schools to achieve integration or lessen overcrowding elsewhere, potentially barring residents from using the local schools they are paying extra for.

* ***Should school districts pay*** for their own schools? But:

  1) All of society benefits from educating the State's children, regardless of where they are located.

  2) It is difficult in today's anti-tax climate to convince voters to approve bonds for projects.

  3) Each child throughout the State should receive an equal educational opportunity, regardless of a district's financial ability to provide good facilities.

History of School Facility Funding

Prior to 1978 and Proposition 13, the answer to who should pay was definitive. School districts had the ability to levy taxes to operate the education system. For facility construction, they issued general obligation bonds to be repaid by property tax levies approved by two-thirds of the voters. In 1970, California's local school districts had outstanding long-term debt of about $4.7 billion.[13]

Proposition 13 took away the ability of local authorities to use voter-approved property taxes to finance general obligation bonds. Between its passage in 1978 and 1986, school districts paid off old bonds and could issue no new ones. The State stepped into the void, altering its previous school facility loan program into a grant program. This hiatus period, coming when student population was stable or in decline, was marked by questions of how grants

should be divided, controlled and accounted for rather than who should pay. During this time, other sources of funding for school districts also were created: developer fees and Mello-Roos districts.

In 1986, the State's voters approved a proposition that reinstated the ability of two-thirds of local voters to use the property tax to finance general obligation bonds. But several factors stopped districts from turning back the clock and simply returning to the self-financing of projects. A few of those factors:

- ***"Free" money.*** Once state government begins to fund an activity, it is very difficult to wean the recipients away from relying on the State.

- ***Huge demands on facilities.*** With student population soaring, many districts were unprepared to manage the needed facilities programs. During flat growth years when education budgets were tight, many districts jettisoned their facilities experts and devoted little or no resources to long-term planning.

- ***Tough voting audience.*** As difficult as the state process proved, it was often easier than convincing voters to approve bonds locally. Unlike voters of the '50s and '60s, people in the '80s and '90s turned thumbs down on school bonds (of 136 local school bond measures in elections between 1987 and April 1992, 76 failed).[14] Some voters were against anything that allowed, promoted or was caused by growth; others distrusted any governing entity to spend funds wisely; still others took out their dissatisfaction with the education system in general; and many simply rejected any new taxes. It was also very difficult to convince voters they should pay for schools locally when state bonds for that purpose were approved every two years.

As student population began to increase in the late 1980s and more and more demands began to be placed on the State's supply of school bond money, the State took steps to set priorities for the limited funds. To encourage year-round use of facilities -- and thus limit how many new facilities had to be constructed -- the State decided to give priority to new schools that would operate on a year-round schedule once constructed and to districts that embraced the year-round calendar for all of their schools. In addition, districts that could provide 50 percent of a project's cost also moved to the top of the list.

But simply lining up the districts' requests in a different order and requiring districts to put up partial funding did not stretch the funds far enough. Voters had approved bonds of $500 million (November 1982), $450 million (November 1984) and $800 million (November 1986). For the next two election cycles, bond measures were placed on each ballot and approved: $800 million each in June and November 1988 and June and November 1990. This added up to a total of $4.95 billion. By January 1991, just months after the last bonds were approved, all of the money had been apportioned.

The Funding Situation Today

By January 1992 -- still with no funding in sight -- the State had approved, but left unfunded, $1.3 billion in applications and had another $6.7 billion in pending applications from school districts.[15] This means that the $1.9 billion bond approved by state voters on the June 1992 ballot is already all but expended.

Thus, in 1992 school facilities are being built with a combination of state and local funding sources -- and in many cases, are simply not being built at all -- while policy makers tackle the question of who will pay for the future's massive construction needs.

Finding #1: The State cannot afford to be a bottomless pocket for school facilities spending; its primary interest in school facilities is to ensure equity for students.

Under stress from a poor economy and burgeoning population growth, California is faced with competing demands for its limited resources. Even for issues in which the State acknowledges both authority and responsibility -- such as health care, transportation and corrections -- the State has been unable to fund programs and infrastructure that it recognizes are needed.

In the case of school facilities, with authority firmly vested at the local school district level, it is difficult for the State to act as construction bankroller and hand out blank checks to pay for decisions it has little control over.

However, courts within the State and across the nation have made it clear that, regardless of local control of education, states must act to protect the right of students to equal access to education. California, therefore, needs to ensure that facilities are equitable.

State and School District Bonding Capacities

California's present debt situation is recognized as healthy, but some fear the State is in danger of becoming overextended. As of February 1992, the State has $14.6 billion in outstanding bond debt and is authorized to sell an additional $7.3 billion in bonds.[16] In 1992-93, the debt service for general obligation bonds will be about $1.5 billion if no further bonds are sold.

Using bonds to finance projects is somewhat like taking out a mortgage to buy a house. The payments on the "mortgage" come out of current income. If the payments are too high, income is squeezed and other obligations cannot be met. Currently, the State's debt ratio -- the amount it must spend to pay off bonds compared to its income -- is 3 percent, a figure that could rise to 4 percent in 1994-95 if all authorized bonds are sold. The growth in the ratio has been rapid: It was only 1.9 percent in 1989-90.[17]

The State's need for future bond financing was noted in the Background (see page 21 for chart). The State anticipates the need for almost $55 billion for infrastructure projects by the year 2001. Spending of that magnitude would push the State's debt ratio to 7.5 percent, raising its yearly debt payments to several billion dollars. Those payments will bite into the State's annual budgets well into the future, reducing the amount of revenue that is available to spend for services, such as education, health and welfare.

The State currently has no self-imposed limit on the amount of debt it can take on, but major bond-rating agencies have indicated a 5 percent debt ratio is healthy. Other states have different limits: Maryland 10 percent, Utah 8 percent, Massachusetts 6 percent and New York 4 percent.

The State is not the only entity that has the ability to finance long-term debt through bonds. As discussed above, school districts may tap into property tax revenues, with the approval of voters, to finance the sale of general obligation bonds. Under existing law, schools may issue bonds totalling up to 2.5 percent of the assessed valuation of property in the district. Today, most of that bonding capacity within school districts has remained untapped.

A 1988 Price Waterhouse study of school facilities funding noted that "since the substantial tax cuts of Proposition 13, local governments (including schools) have

developed significant latent capacity to finance general obligation bonds for capital projects. The reduction in the general property tax burden has freed a significant tax capacity that is available (only with voter approval) to support bonded debt."[18] Other sources estimate that there remains about $50 billion in bonding capacity at the local level -- more than enough to meet the capital outlay needs of schools if voters can be convinced of the need to tap into it.[19]

The chart on the following page shows some selected school districts, their assessed valuation, the legal limit of bonding capacity and their existing general bond obligations.

Chart 9

Latent Bonding Capacity of Selected School Districts

District	Total Assessed Value	Bonding Legal Limit	Current Bond Debt
Berkeley Unified	$ 4,089,904,894	$ 102,247,622	$ 0
Oakland Unified	13,386,037,298	334,650,932	16,110,000
Liberty Union High	2,225,796,320	27,822,454	9,850,000
Riverdale Joint Union Elementary	220,882,039	2,761,025	0
Norris Elementary	302,853,155	3,785,664	1,825,000
Baldwin Park Unified	1,559,600,714	38,990,018	0
Beverly Hills Unified	8,133,437,105	203,335,928	760,000
Compton-Unified	3,174,992,059	79,374,801	0
Long Beach Unified	21,148,219,035	528,705,476	0
Los Angeles Unified	193,881,482,447	4,847,037,061	9,160,000
Montebello Unified	5,775,180,260	144,379,507	0
Pasadena Unified	9,867,115,133	246,677,878	0
Pomona Unified	4,688,850,122	117,221,253	5,000,000
San Antonio Union Elementary	67,661,072	845,763	0
Anaheim Elementary	7,773,257,755	97,165,722	0
Santa Ana Unified	13,455,898,212	336,397,455	5,600,000
Dry Creek Joint Elementary	554,245,333	6,928,067	0
Corona-Norco Unified	5,941,768,857	148,544,221	260,000
Desert Sands Unified	8,708,876,435	217,721,911	0
Lake Elsinore Unified	3,627,084,637	90,677,116	0
Palm Springs Unified	8,297,313,937	207,432,848	575,000
San Jacinto Unified	708,233,750	17,705,844	0
Temecula Valley Unified	1,154,911,676	28,872,792	29,290,000
Elk Grove Unified	5,315,258,946	132,881,474	3,270,000
Sacramento City Unified	11,381,884,499	284,547,112	1,960,000
San Juan Unified	12,687,995,385	317,199,885	525,000
North County Joint Union Elementary	199,591,848	2,494,898	0
Apple Valley Unified	1,977,565,064	49,439,127	0
Cucamonga Elementary	3,431,257,567	42,890,720	545,000

Source: Coalition for Adequate School Housing, February 20, 1992

As the chart on the previous page indicates, some districts have substantial latent capacity. Los Angeles Unified School District, for instance, legally could float bonds for almost $5 billion yet currently only has $9.16 million in general obligation bonds outstanding. Very few districts have called upon their voters to the maximum extent possible (an exception is Temecula Valley Unified in the high-growth area of Riverside County where the debt limit is $28.9 million and outstanding general obligation bonds total $29.3 million).

If California addresses the broad range of its capital outlay and infrastructure needs, it may reach the point of over-indebtedness by some standards. The majority of the State's school districts, on the other hand, have substantial unused bonding capacity.

The Issue of Local Control

Historically, education has been viewed as an issue that is controlled locally. That perspective has never been completely true. The State set standards and passed laws dealing with education long before the courts made it clear in Serrano v. Priest that it fell to the State to ensure equal funding for schools. This bottom-line responsibility was only reiterated in 1991 when a court ruled that, regardless of the poor decisions made by the Richmond Unified School District that drove it to bankruptcy, the State still needed to pick up the tab.

In the area of property, the issue of control has been more clear cut. School districts own land and the buildings on them. The State sets minimum standards for classroom size and other criteria, but where and when the district will build schools are decisions made locally (although the decisions must be justified if the district wants to win at least a portion of State funds to carry out a project).

A key point in any discussion of who should pay for school facilities is that school districts want to retain control over decisions about facilities. Conversely, the State wants to control how its funds are spent to ensure that they are not wasted or misused and that they are shared equitably throughout the State. The Price Waterhouse report reflected these conflicting goals in a section entitled "A Last Word: He Who Pays the Piper, Calls the Tune?"

> *The State's actions in managing the application review process are understandable given its dominant role in providing financial resources. This dominant role, however, conflicts with local districts' desire to retain control over the location, size, and design of local schools as an essential element of local educational policy. Local school districts*

chafe under the standards the State has adopted (such as the number of square feet of building space per student allowed in State-funded projects) to allocate its limited resources. As long as the State funds the bulk of local school capital outlay, districts will have to be willing to forgo some local autonomy in order to participate in a state program where competition for limited funds holds the promise that demand will outstrip available financial resources.[20]

A Los Angeles High School Project

One example that makes these conflicting goals more evident is the Ambassador Hotel high school project in the Los Angeles Unified School District (LAUSD). In December 1986, the district justified to the State its need for a new high school in the downtown area. Since then, there has been a high-profile battle between those who want to place a high school on the site of the former Ambassador Hotel on Wilshire Boulevard and those who believe the property is either too expensive for a school or more suitable for commercial development.

Under the original plan, the LAUSD wanted to leverage private development funds into a source for school construction. The district hoped to purchase the entire 23-acre site for $74 million and build a school for about $51 million, defraying some of the cost by arranging for private commercial development of the Wilshire Boulevard frontage.

The plan came under considerable fire from those who believe the property is more valuable (in terms of tax-generating capacity) if developed commercially completely. These critics also contend there are more economical and effective places to put the needed high school facilities. And they question the propriety of a public entity entering the private-development fray in a way that has nothing to do with education.

The district, however, contends that of the several dozen sites it has evaluated, the Ambassador site is the best, largely because very few residences will be displaced. It also has asserted its right to select sites as long as they comply with state standards.

The district was forced to cut back its plan to 17 acres, the size allowed for a high school under state standards, when the State would agree only to set aside funding for the portion of the property that would be used for the school. The State allowed $50 million for the site, bringing the total cost of the high school down to roughly $100 million. At this writing, the property is the subject of a condemnation trial to determine its value. A court

determination of any value in excess of $50 million may well doom the project.

Regardless of whether the Ambassador site is the best alternative for placing a new high school in downtown Los Angeles, the case highlights problems facing both the State and local school districts.

* The school district correctly asserts that it has the final say on site selection. The State has no authority to tell it to find a different site, nor is it the proper level of government to determine what is the best use of land for a local area.

* The district also maintains that its policy is to place schools in neighborhoods where children live, regardless of land costs. It is difficult to determine if this would remain the district's policy if the only source of funding were the district itself.

* In accordance with its school construction funding procedures, the State earmarked $100 million for a single high school. (Until the project actually is funded, the school district does not have to specify whether it will be a 50-50 project or a solely State-funded project. As a practical matter, however, the project is likely to be too far down on the priority list unless the school district pays half of the cost.) This amount of funding for one district might seem disproportionate to some. The State's voters have approved almost $5 billion in school construction bonds since 1982, but those bonds have usually come in segments of $800 million each. An allocation of one-eighth of this amount for one school blocks many other districts from receiving state funds for their projects.

* Because the State's school construction bonds are retired through General Fund revenues, residents throughout the State pay for the facilities. Some school districts, such as those in Modesto and San Diego, have avoided the state program, instead passing bond measures locally to build facilities. That means that those residents pay for their own schools but receive no benefit from the bonds that are supported through their state taxes.

* The State has no mechanism for determining if there is more value to spending $100 million in Los Angeles to be able to discontinue the

busing of 2,500 students daily or in spending the same funds in several different school districts where the need may be equal or greater.

Some Districts Avoid State Handout

Not all school districts have been eager to crowd up to the state trough. Some have decided that the cost to maintain complete local control is worth it. (Of the State's 1,006 school districts, only 561 participate in the state funding program.)[21] In testimony to the Commission, a representative of the Modesto City Schools said the district made a conscious decision to forgo state funding:

> *In examining local educational programs in relation to facility needs, [the district] came to the conclusion that the State's school building program would never provide the facilities needed and desired by this community. Anything the State would provide would be too little and too late and the community felt this was not good enough for our children....The [district] felt strongly that there were too many educational limitations imposed by the state program that were simply unacceptable.*
>
> *These limitations included too little square footage allowed per student (one of the lowest allocations in the country), lack of recognition and allowances for special programs such as special education, bilingual education, remediation, computer instruction, preschool and Head Start programs, as well as inadequate library and administration space allowances.*[22]

Modesto put together a package of funding including general obligation bonds, developer fees, Mello-Roos districts, redevelopment funds and revenues from asset management. Clear communication from the district to voters and evidence of careful, long-term planning has brought Modesto valuable community support for its school facilities program, the representative said.

A representative of San Diego schools painted a similar picture for the Commission. He added that the key to winning local support for bonds and other taxes "is to let the public know we do everything else first, then we go for new construction. We have to demonstrate a concern for efficiency and economy." He said the "everything else" includes maximizing the use of existing facilities.[23]

The experience of these two districts and others that have been able to win approval of general obligation bonds is a sign that it is not impossible for school districts to convince two-thirds of the voters to support school facility needs. But in some cases, it can be an uphill battle. Among today's likely voters, the majority have no school-age children. Also, school districts have grown large enough that it may be difficult to interest voters in one part of a district in a construction program that is needed in an entirely different area of the district.

Over the past few years, the Legislature has considered several measures that would place a modification of the two-thirds requirement before voters. Supporters of the current two-thirds standard have said such a margin of approval should be needed because bonds are an expensive means of financing construction (over the life of a bond, about $2 is paid in interest for each $1 spent on the project). Some legislators have suggested a compromise of lowering the required approval to 60 percent in return for other reforms that would ensure a more efficient, focused, constructive use of the proceeds. Reforms that have been suggested include:

* Limit school bonds to a term of 10 or 15 years.

* Repeal or regionalize prevailing wage laws (so that rural areas are not required to meet urban wage levels) to reduce costs of school projects and permit bond proceeds to provide more facilities.

* Modify the Field Act seismic safety standards to incorporate new engineering technology and construction techniques.

* Allow schools to use their lottery proceeds for construction of facilities to diminish the pressure for more bonded indebtedness.

* Redirect funds now allocated to the year-round incentive program to school construction.

* Place reduced-majority bonds only on primary or general election ballots.

* Limit bonding authority to a small percentage of a community's existing property tax rate to ameliorate the burden on property taxpayers.

* Provide that only school districts would be eligible to use the reduced percentage approval process.[24]

So far, measures that would place on the ballot a constitutional amendment to modify the two-thirds requirement -- a change supported by the Governor -- have passed the Senate but have stalled in the Assembly just a few votes short of passage.

Critics of the two-thirds requirement have pointed out that almost all other states require only a majority vote for bond approval. Had majority vote been in effect in California, it would have had an impact on districts' ability to meet facility needs. The Legislative Analyst reported that between 1986 and 1991, $1.6 billion in school bonds were rejected under the two-thirds vote requirement that would have been approved if only a majority vote were needed. In November 1991, 10 out of 12 unsuccessful school bonds would have passed if majority vote were sufficient, yielding $363 million for school construction.[25]

Information compiled by Dean Witter Reynolds and School Services of California Inc. shows that of the 119 school district general obligation and Mello-Roos bonds voted on between 1983 and April 1990, 58 (49 percent) received two-thirds approval, another 24 (20 percent) received between 60 percent and the two-thirds approval, and another 20 (17 percent) received between 50 and 60 percent approval. Only 13 (11 percent) out of the 119 bonds failed to receive at least a majority vote.

With the continued requirement of a two-thirds vote, success can be elusive. On the April 1992 ballot, seven measures worth $181.4 million passed but 11 worth $456.7 million failed.[26] A study of 16 school bond elections released by Senator Bill Leonard's office in 1988 concluded that the two-thirds threshold for approval was not the main cause of defeat of bond issues. Instead, the districts had failed to put their message across clearly and convincingly. Successful districts are those, such as Elk Grove Unified School District near Sacramento, that carefully package a list of projects that bring improvements to schools throughout a district. And they are those that put across the message to voters without school-age children that education has value to everyone who shares in the life of a community.

Districts Have Multiple Fund Sources

School districts have more than just general obligation bonds at their disposal. Schools may sell bonds that will be repaid with funds from Mello-Roos districts, special areas created by a two-thirds vote of residents where an annual amount is added to property taxes for a set number of years. They may sell certificates of participation (to be repaid with earmarked revenues in the future), share in tax increment financing from redevelopment agencies, receive revenues from asset management (such as selling or leasing unused school property) and collect developer fees

(an assessment on new development that is meant to mitigate the need for new schools).

Under a trio of court decisions known as Mira-Hart-Murrieta, school districts also may encourage cities and counties to block development approval until developers agree to pay special assessments for schools. In addition, school districts may form partnerships with private developers or non-profit organizations to develop land jointly, defraying the cost of construction through revenues earned in the process.

During the 1950s and '60s, school districts coped with more dramatic growth without as many funding options and with only the most minimal state intervention. The Little Hoover Commission did not examine each of the local funding mechanisms to determine which are more effective, equitable or capable of providing enough funds to meet facility needs. But with the wide array of tools at their disposal, it is not unfair to conclude that school districts are capable of re-assuming their traditional role of funding school construction locally. This would be especially true if state requirements and regulations now in place to protect the State's interest in spending money wisely were either removed or altered so they did not act as disincentives for school districts to manage their assets well (these are discussed in the section entitled, "Untying Their Hands").

The Issue of Equity

If the State cannot afford to underwrite the need for school facilities and if the issue of local control makes it unwise for the State to try to do so, there is still the question of equity. In both the *Serrano* and *Richmond* cases, California was told that it is responsible for protecting the students' right to equal educational opportunities. Neither ruling was specific to school facilities. The Serrano decision noted the existence of unequal school facilities, although it made no mandate in this area.

In 23 other states, suits have been filed since 1987 challenging school finance systems because of inequities. In several of those states -- Minnesota, Montana, New Jersey, Tennessee and Texas -- financing systems have been ruled unconstitutional. In some cases, states have been ordered specifically to redress disparities in the condition and status of facilities.

California may yet face such a test. More than 100 school districts, led by Capistrano Unified School District, have joined to file a lawsuit that argues the State's school finance system "is in shambles" and labels the current system "irrational, unequal and, for some districts and children, inadequate to prepare students for their responsibilities as citizens, and for work and for life." The suit contends that

despite the State's response to the Serrano ruling, districts continue to receive inequitable funding and the education children receive is dependent on where they live. The case, which has been filed at the Superior Court level, may take years to resolve and will not necessarily address facility issues.[27]

Absent a specific court ruling, nothing bars the State from moving forward with its own facility equity policy. There are two sides to the equity issue. One is the need to bring substandard facilities to an adequate level -- a goal that can be readily agreed to. But the other issue may be stickier. When school districts have been particularly diligent in managing resources well or voters have assessed themselves at high levels, facilities may be head and shoulders above the merely adequate. Since not all students are able to attend school where facilities are excellent, it becomes inequitable for some to have that opportunity. To ensure equity, then, some argue that the State must set not only minimum standards for facilities, but also maximum standards.

Others argue that the problem would resolve itself if the State would merely set decent standards rather than the somewhat-Spartan, minimum standards it now embraces. School districts would have no need to build beyond state standards if those guidelines allowed for realistic and progressive educational programs. Modern schools should have the capacity to allow the use of computers, video equipment and other high-tech tools. They should be spacious enough to allow for creative learning techniques, and they should take into account the needs of special education programs required by federal and state laws.

Setting any standards that school districts must comply with increases the complexity of the State's role in school facilities. As will be discussed in the next section, standards in and of themselves, regardless of their nature, create problems. From the school districts' perspective, standards limit flexibility and ignore unique situations. From the State's perspective, standards must be enforced through extensive documentation. Subject to interpretation, standards become nitpicked to death as school districts look for ways to read them broadly and the State searches for avenues to define them narrowly. Often lost in the process, amid mounds of paperwork and huge bureaucratic costs, is the concept that school facilities should be constructed efficiently and economically.

Guaranteed-Yield Approach To Equity

One approach to equity that avoids the quagmire of standards is to concentrate on the available dollars instead of on the resulting building. This type of approach involves ensuring that districts are able to spend

an amount of money to house each student that is equal to what other districts can spend. The Legislative Analyst's Office recommended such an approach in its 1986-87 Budget Perspectives and Issues:

> *We recommend that the Legislature enact legislation ... to establish a "guaranteed yield schedule" under which every school district levying a given tax rate to amortize school facilities bonds would be guaranteed the same minimum revenue yield per pupil housed....*
>
> *In broad outline, this new funding mechanism would work as follows:*
>
> * *A school district would submit information based on its need for new school facilities to the State Allocation Board, which, in turn, would verify the accuracy of the district's estimates regarding the number of students to be housed in the new facility.*
>
> * *The district would then consult a schedule showing the amount of revenue per pupil housed which it could raise from a given tax rate. This basic schedule would be the same for all districts throughout the State even though the actual amount of revenue raised by each tax rate would vary considerably from place to place....*
>
> * *Based upon the cost of the facility per pupil housed, the district would choose a tax rate from the guarantee schedule and submit this rate to the local voters for their approval.*
>
> * *If the voters approved the measure, the district then would be authorized to levy the new tax rate. If the revenues raised by the tax were less than the amount guaranteed by the state schedule, the State would make up the difference.*[28]

The Legislative Analyst article summarized the concept as shifting from a grant program to a grant program with a variable matching rate. Districts with a low property tax base would have a lower local matching requirement than districts with a high property tax base. Thus the ability of all school districts to raise a given amount of tax revenue for a given level of tax effort would

be equalized. Control over the amount to be raised would remain at the local level.

A sample chart showing how a tax-rate schedule could be set up was provided by the Legislative Analyst:

Chart 10

Sample Guaranteed-Yield Program Schedule

Tax Rate (Per $100 of Assessed Valuation)	Guaranteed Yield Per Pupil Housed	Tax Rate (Per $100 of Assessed Valuation)	Guaranteed Yield Per Pupil Housed
.06	$200	.11	$1,050
.07	$400	.12	$1,100
.08	$600	.13	$1,150
.09	$800	.14	$1,200
.10	$1,000		

Source: Legislative Analyst, 1986-87 Budget Perspectives and Issues

Using the chart above, a school district could determine that if its voters approved an 8-cent tax rate, the district would be guaranteed revenues that equaled $600 per student housed, with the State making up any revenue shortfall caused by low assessed value. A district that won approval for a 10-cent tax rate would be guaranteed $1,000 per student, while a district winning a 12-cent tax rate could count on $1,100 per student.

Districts would be affected differently, depending on the assessed valuation of land in their area. For example, suppose a $600,000 facility is needed for 600 new students in each of three different districts, with each having voter approval for a 10-cent tax rate. A district with low assessed valuation may raise only $100,000 based on that tax rate, with the State stepping in with an additional $500,000. An average-wealth district might raise $450,000 at that tax rate, relying on the State for the remaining $150,000. And a wealthy district might easily pay for the entire facility with the 10-cent tax rate.

A guaranteed-yield chart could be constructed in a variety of ways. The one above is structured to encourage school districts to build facilities that require the expenditure of about $1,000 per student. Before that point, the district would not be maximizing the amount of state participation and after that point, the State's participation is proportionately less.

The Kansas Approach

Another approach was signed into law in late May in Kansas, where 43 of 304 school districts had filed a lawsuit arguing that school funding, both for programs and facilities, was inequitable. Based on indications by the judge in charge of the case that the suit would succeed, the Kansas legislature drafted a new approach to funding facilities and programs. When it was signed into law, the districts agreed to drop their suit.[29]

The Kansas facilities program is based on a per-pupil assessed valuation in each district. The state will participate in repaying a district's bonded indebtedness each year to a greater or lesser extent as the district's per-pupil assessed valuation falls below or above the median in the state. The program follows these steps:

* Determine the amount of bonded indebtedness payments due in the current fiscal year for each district.

* Determine the assessed valuation per pupil for each unified school district.

* Determine the median assessed valuation per pupil for all districts.

* Set up a table listing all districts ranked by assessed valuations per pupil. Draw a band of plus and minus $500 around the median assessed valuation per pupil for school districts. School districts within that band would receive a set percentage of their bond and interest payments from the state. (The original Kansas proposal set the state payment at 50 percent for the median. However, financial limitations led to Kansas eventually adopting a formula of paying 5 percent at the median for bond-debt incurred before July 1992, and 25 percent for bonds sold in the future.) This table will be updated annually based upon the preceding year's assessed valuation per pupil.

* Increase the percentage of state aid by a percentage point for each $1,000 that the

assessed valuation per pupil drops below the median. Decrease the percentage of state aid by a percentage point for each $1,000 that the assessed valuation per pupil rises above the median.[30]

For 1991, the median assessed valuation per student in Kansas was $30,320. In a test run of the Kansas system when the state proposed to pay 50 percent at the median amount, a partial ranking of the districts in $1,000-wide bands and the percent the state would pay looked like this:

Chart 11

Kansas School Facilities Program
With State Paying 50 Percent at Median

Assessed Valuation Per Pupil in $1,000 Increments	State Contribution Toward Bond Debt Payments
$14,820 - $15,819	65 Percent
$15,820 - $16,819	64 Percent
$16,820 - $17,819	63 Percent
$17,820 - $18,819	62 Percent
$18,820 - $19,819	61 Percent
$19,820 - $20,819	60 Percent
$20,820 - $21,819	59 Percent
$21,820 - $22,819	58 Percent
$22,820 - $23,819	57 Percent
$23,820 - $24,819	56 Percent
$24,820 - $25,819	55 Percent
$25,820 - $26,819	54 Percent
$26,820 - $27,819	53 Percent
$27,820 - $28,819	52 Percent
$28,820 - $29,819	51 Percent
$29,820 - $30,819	50 Percent
$30,820 - $31,819	49 Percent
$31,820 - $32,819	48 Percent
$32,820 - $33,819	47 Percent
$33,820 - $34,819	46 Percent
$34,820 - $35,819	45 Percent
$35,820 - $36,819	44 Percent
$36,820 - $37,819	43 Percent
$37,820 - $38,819	42 Percent
$38,820 - $39,819	41 Percent
$39,820 - $40,819	40 Percent
$40,820 - $41,819	39 Percent
$41,820 - $42,819	38 Percent
$42,820 - $43,819	37 Percent

Highlighted line includes the median of $30,320.
Source: Kansas State Board of Education

A sample run of Kansas school districts below shows the fiscal effect the program would have had if the 50 percent payment at the median had been adopted:

Chart 12

Kansas School Facilities Program

Sample of School District Bond Payment Subsidies With State Paying 50 Percent at Median

District	# of Students	Debt Payment Due	1991 Assessed Valuation	Assessed Valuation Per Pupil	State Ratio Factor	State Portion of Payment
Iola	1,789.5	$423,205	$27,126,705	$15,159	65%	$275,083
Humboldt	624.0	$114,617	14,949,473	$23,957	56%	$ 64,186
Garnett	1,039.5	$438,860	30,422,821	$29,267	51%	$223,819
Atchison	768.5	$164,462	20,393,550	$26,537	54%	$ 88,809
Bend	3,377.1	$136,800	85,927,576	$25,444	55%	$ 75,240
Boisington	781.1	$358,945	23,688,225	$30,327	50%	$179,473
Ft. Scott	2,074.1	$212,298	39,833,461	$19,205	61%	$129,502
Uniontown	493.0	$ 60,850	10,395,377	$21,086	59%	$ 35,902
Hiawatha	1,216.4	$235,856	30,937,471	$25,434	55%	$129,281
Brown	686.0	$272,995	13,681,511	$19,944	60%	$163,797
Leon	784.5	$ 86,225	17,574,513	$22,402	58%	$ 50,011
Rose Hill	1,439.0	$143,365	19,387,436	$13,473	67%	$ 96,055
Douglass	755.6	$ 25,892	10,760,548	$14,241	66%	$ 17,089
Augusta	2,081.1	$ 67,795	34,643,334	$16,647	64%	$ 43,389
El Dorado	2,220.7	$453,517	55,384,163	$24,940	55%	$249,434
Flint Hills	239.5	$127,590	11,054,322	$46,156	34%	$ 43,381

Source: Kansas State Board of Education

As can be seen by examining different districts, the amount of state aid is dependent not only on the number of students and the assessed valuation of a district but also on the payments required for the amount that district residents have chosen to incur bond debt for. State assistance for a particular district fluctuates as property values change, student numbers grow or decline, and bonds are approved. For instance:

* Boisington, a small district (781 students) compared to many on the list with a relatively low assessed valuation ($23,688,225), has the median assessed value per pupil. Under a 50 percent program, the district, with a bond payment of $358,945, could expect state aid totalling $179,473.

* Flint Hills is even smaller than Boisington (240 students) and is poorer in assessed valuation ($11,054,322). But the assessed valuation per pupil is high enough to earn the district only a 34 percent state participation rate, and the amount the district owes in debt payment ($127,590) is smaller than Boisington's. The amount of state aid would be $43,381.

* Iola, a large district with 1,790 students, has only $15,159 assessed valuation per pupil -- a low enough amount to qualify for 65 percent aid. With bond payments of $423,205, the district could expect the state to pay $275,083.

The Michigan Approach

In Michigan, the state acts as a facilitator and lending institution rather than as a grant-maker. All school districts must justify the need for new facilities in an application to the state and outline the bond plan that will be presented to district voters. Once the state examines the need and the plan to ensure they are justified, the district receives preliminary qualification to place the plan before voters. If voters approve the plan, the state issues a final qualification for the district, which can then sell bonds locally using the state's credit rating.

If a district is unable to meet its own needs, the state has a lending program to help with bond payments. Under this program, the district must have a tax rate of at least $1 per $1,000 of assessed valuation to demonstrate local support of school construction. The state will loan the district the funding to pay for any debt payments that are beyond the amount raised through that tax rate. The state contribution becomes a lien against the district. As the assessed valuation rises and the tax rate yields more funds, the district requires less and less assistance. Eventually, the amount raised is more than the annual bond debt payment, and the excess each year is then applied to paying off the state loan.[31]

During times of rising property values and stable school population, the Michigan approach is a model that allows the state to leave school facility decisions in the hands of local districts but at the same time ensure equity. It may be less successful if a district's population explodes and assessed valuation remains flat or declines -- a situation that may occur in some California districts.

The Bonded Debt Limit Approach

Another approach is for the State to presume, by legislative declaration, that until a school district reaches its legal bond debt limit of 2.5 percent or

some legislatively set portion of that bond debt limit, it has the capacity and the obligation to provide facilities for students that are equal to other school facilities in the State. Under this approach, once the debt limit is reached, it would be the State's responsibility to provide for further pupil housing needs to ensure equity.

Districts that needed to house more students but that were unable to meet the debt limit because of voter rejection of bonds would fall into a state "safety net." This safety net program, to maximize the use of limited state funds, could be constructed to only provide portable classrooms at existing school sites. Thus, a district whose voters refused to support needed facilities through local bonds would not be rewarded with full state funding for new, permanent projects. But students would be housed in educationally appropriate, economical facilities.

A New Funding Dynamic

In the late 1970s and early 1980s, Proposition 13 and other factors combined to derail the traditional approach to school construction financing. But a new assessment of the respective capabilities of the State and school districts to meet funding needs and a realistic approach to the division of responsibilities between the State and school districts should lead to a new funding dynamic. The system that emerges should meet the goal of providing equitable, educationally adequate facilities in an economic and efficient method with as little bureaucratic processing as possible.

Recommendation #1: *The Governor and the Legislature should modify the Leroy F. Greene State School Building Lease Purchase program to return the responsibility of funding new school facilities to the local school districts, limiting the State's financial role to ensuring equity and providing a safety net.*

School districts have a tremendous amount of latent bonding capacity, continue to demand local control over facility decisions, and have the widest variety of tools that has ever been available to them to put together financing packages. They are in the best position to involve the community, clearly explain their needs and plans to meet

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those needs, and win support for new facilities. The State, on the other hand, is facing growing demands for service and infrastructure at a time of severe budget restraints.

The most straightforward solution is to return the funding responsibility to the local level, where it operated successfully during the Baby Boom years to provide adequate school facilities. Such an approach recognizes the existing division of authority between the State and local districts and once again pairs funding responsibility with the decision-making authority.

The State should take a two-prong approach to ensuring equity:

* The State should ensure equity for low-wealth districts by creating a program that will give all districts access to similar amounts of per-pupil funding to provide facilities. The Kansas approach or the guaranteed-yield approach each provide workable models that take into account variables in pupil population, assessed valuation and bond amounts.

* The State should also create a safety net for districts that reach their full, legal debt limit of 2.5 percent of assessed valuation but still have unmet facility needs and for districts that are unable to convince district voters of the need for local bonds. The state program would loan districts portable facilities to be placed at existing school sites or on district-owned property in numbers appropriate to meet the needs of unhoused pupils. Once the safety net is being used by a district, all facility decisions will be made by the State rather than the local district until such time as the safety net program is no longer needed in the district. This ensures that the level of government paying the bill is the level of government making decisions. The provision also will act as an incentive for local districts, which prefer to retain control over facility decisions, to forge close relations with local voters through solid planning and clear communications.

Recommendation #2: ***The State Department of Education should convene a task force to determine advisory (rather than prescriptive) standards for adequate, modern school facilities that can be adopted by the State in place of the current minimum standards.***

The key to ensuring that new facilities will be equal is to promote standards that will be generally acknowledged as capable of providing a good educational experience. The standards would be a reference point for districts and voters as facilities plans are put together and submitted for taxpayer support.

The task force should consider the experiences of other states and countries, and should take into account space and facility demands of modern technology that may be used in teaching programs. But they should also consider resource limitations, setting standards that require the use of economical construction, such as off-the-shelf materials rather than customized items. Schools should be safe, durable, spacious and easy to maintain.

Recommendation #3: ***The Governor and the Legislature should place a constitutional amendment before voters to modify the approval threshold of local general obligation school bonds in a manner consistent with the most cost-effective use of the bonds issued.***

Many school districts have demonstrated the ability to successfully gather two-thirds support for school construction. But easing the threshold should give a district added flexibility to meet facility needs quickly and efficiently, while still requiring the district to convince voters that its financing plan is sound. Any modification could be coupled with reforms to make the use of bonds more cost effective.

Unified districts would also be given more flexibility if general obligation bonds could be approved in smaller areas of a district that have common interests. Such an area could be defined as a minimum single high school attendance area, allowing the district to create a facilities proposal that would affect those living in the attendance area of the high school and its feeder schools (five or six elementary schools and a couple of junior high schools). This would allow taxpayers to see a more direct connection between their residences and the school district's facility plans.

Entangled In The Process

* *The State's cumbersome program micro-manages school projects, causing delays and higher costs.*

* *The Field Act limits flexibility to meet classroom needs and increases costs – but it provides an added assurance of safety when it is enforced.*

Recommendations:

* *Create a one-stop shopping system with a single State entity to ensure school facility equity, safety and educational adequacy.*

* *Streamline procedures in the Office of the State Architect and improve flexibility to meet workload needs.*

* *Establish a 10-year Field Act waiver that would allow the use of vacant, modern high-rises.*

* *Create a permanent Field Act equivalency process to allow use of facilities that would enhance educational opportunities.*

* *Improve Field Act enforcement for existing facilities.*

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Entangled In The Process

Building a new school is a long and complicated process. If a school district is using the State's funding program, it can turn to the Office of Local Assistance's Applicant Handbook to understand the 63 steps, interactions with four different state entities and 82 documents that are required. One official estimated that if every step is performed correctly, from the time a decision is made to build a school it will take about six years to open the schoolhouse doors to students.

The process and timeline for those districts that avoid the state program is not much better since many of the steps and documents are required regardless of the funding source. A Modesto City Schools official said the district began working with an architect in 1988 on a high school that they hope will open in August 1992.

Because it is important for schools to be built in a timely manner once the need for more classrooms is identified, the Commission examined the State's process for approving school facilities. It also participated in an evaluation of California's earthquake safety standards for schools to determine their effect on districts in terms of increased costs, diminished flexibility and added safety.

Finding #2: The State has created a cumbersome program that micro-manages school construction projects, delaying the completion of and driving up the cost of school facilities.

The birth of a new school facility comes about only after an elephantine gestation that involves the participation of the local school district, the Department of Education, the Office of Local Assistance (an office within the Department of General Services), the State Allocation Board, and the Office of the State Architect. Because the State's process may taken 18 months or longer, school districts cannot move expeditiously to meet facility needs. During times of inflation, delays add to the cost of projects both in rising land values and in higher prices for construction costs. In addition, costly temporary measures to house students -- such as busing them long distances -- may occur because of process delays.

System Complexity A Concern of Long Standing

The complexity of the school facilities approval process has been a concern of State policy makers for some years. As part of a 1986 package of bills to modify the State's school construction program, the Legislature and Governor ordered that an independent consultant be hired to study the application process. Price Waterhouse, which began its study in January 1987 and issued a report in January 1988, said the task it had been given was to determine whether it was possible "within the framework of the existing funding system, to increase the speed with which local school district applications for state aid are processed by streamlining the application handling system."[32]

In its report, Price Waterhouse found that the common goal of school districts and the State is to provide adequate school facilities promptly. But the report also laid out the key driving forces that put the State and the school districts at odds over how to achieve the common goal. The report said the State's agenda is to:

* Maximize the number of basic classrooms that can be built from any given amount of state funds.

* Make facility construction a last-resort option.

* Maximize the amount of local funding for approved projects.

* Minimize the risk that "unneeded" projects will be approved.

* Minimize the risk that State policies will be violated by the school district through either abuse or neglect.

Conversely, the school districts' agenda is to:

* Maximize the amount of State funding and minimize the local contributions.

* Build facilities that respond to local requirements.

* Avoid community conflict over site selections and use of surplus schools.

These differing agendas remain true today and are the impetus, from the State's side, for stacks of documentation and detailed requirements that, in essence, allow the State to micro-manage school facility decisions. Such micro-management is time-consuming and costly, but gives the illusion -- if not the reality -- of protecting the State's purse.

Focusing on the internal workings of the approval process from the time a district makes a request until permission is received to go to bid, Price Waterhouse noted that tinkering with the system as it then operated would save only six to eight months' time in a process that they estimated took two to five years. For more substantial time savings, the study made five recommendations for program structural changes:

1) Offer a streamlined process to districts putting up a 50 percent share of costs. The State would have less need to closely monitor decisions if the districts knew their choices would also cost them money.

2) Centralize the administration of the state program so that four different entities are not involved.

3) Place greater reliance on self-certification by the school districts that they are complying with regulations and standards. This would mean less double-checking by the State.

4) Enforce standards with spot auditing after the fact and with effective sanctions.

5) Stress simplicity and uniformity in program design. The program is made more complex by special provisions to address unique circumstances among the 1,006 school districts. A simpler approach would mean more speed but less special treatment.

Some Changes Have Occurred

The state program, as it exists today, embraces several of the concepts promoted by Price Waterhouse. School districts have the best chance of receiving state funding if they ante up 50 percent of the cost. A law that takes effect in late 1992 sets up a self-certification process and relies on after-the-fact auditing. A legislative attempt to centralize the handling of school plans failed in 1991 but is being promoted again this year.

Little progress has been made, however, on the fifth recommendation. In fact, despite shifting to a 50-50 emphasis, the State apparently is unwilling to trust school districts to be economical even though their own funds are involved. The State in great detail, and narrowly, defines what can be counted as project costs and what "frills" a district will be forced to pay for on its own. The Office of Local Assistance's Applicant Handbook contains chart after chart to help school districts understand what will be covered by state funding and what will not. A small sampling of allowable costs for different components of schools is shown in a chart on the next page. Class B buildings are of masonry construction, while Class D buildings are wood-frame.

Chart 13

Sample State Allowances For Construction

Facility Classification	Unit Cost Per Square Foot CLASS B	CLASS D
Administrative spaces	$ 91.23	$ 87.97
Corridor, enclosed	71.55	68.99
Corridor, covered	N/A	34.68
Gymnasium	111.26	107.29
Kitchen	136.63	131.75
Food Service	79.71	76.86
Library	88.29	85.14
Multi-purpose, Type I	91.61	88.34
Multi-purpose, Type II	78.48	75.68
Performing Arts Facility	116.32	112.17
Resources Specialist Program	83.10	80.14
Shower/Locker	101.15	97.54
Staff Workroom	87.19	84.08
Storage, Mechanical and Janitor	67.73	65.31
Toilets	187.12	180.44
Warehouses and Agricultural	40.45	39.01
Parking basements	40.45	N/A
District Maintenance	68.35	65.91
Other	87.19	84.08
Arts and Crafts	81.78	78.86
Business machines	81.21	78.31
Homemaking	92.14	88.85
Kindergarten	82.24	79.30
Music, high school & intermediate	91.90	88.62
Science, General	85.98	82.91
Science laboratory	117.33	113.14
Shop	85.94	82.87
Standard, classroom elementary	81.16	78.26
Standard classroom, high school & intermediate	77.68	74.91
Specific Learning Disability	83.10	80.14
Mildly Mentally Retarded	83.10	80.14
Severe Disorder of Language	83.10	80.14
Deaf and Hard of Hearing	92.51	89.21
Visually Handicapped	89.38	86.18
Orthopedically and Other Health Impaired	83.10	80.14
Autistic	89.38	86.18
Severely Emotionally Disturbed	89.38	86.18
Severely Mentally Retarded	89.38	86.18
Developmentally Handicapped	89.38	86.18

Source: Office of Local Assistance

As can be seen on the charts, the State sets allowable costs per square foot for all aspects of a school: administrative spaces, corridors (both enclosed and open-air), gymnasiums, kitchens, libraries, multi-purpose rooms, bathrooms and storage areas. In addition, there are different rates for different kinds of classrooms: home economics, science, shop and music. Special rates are set for classrooms that meet special needs, such as those for teaching the deaf, mentally retarded and developmentally handicapped.

Other charts define allowable spending for certain kinds of consultants, multipliers that can be used when facilities are less than a certain square footage, and site development factors that the State will not pay for. In some cases in which the State has set maximum fees, such as architect design fees, the "maximum" has become the standard charge.

Thus, the existing state program requires countless hours of review and reams of paperwork to arrive at those costs the State is willing to count when it pays its 50 percent. Decisions that should be driven by educational considerations linked to economic factors instead are made based on what a district thinks it "can get away with," according to many who deal with the system.

Is such a complicated system worth it? In other words, does the well-documented process ensure that no state dollars are wasted, or is it just a painful exercise that makes it look like the State is being prudent?

The Auditor General, in a report issued in January 1991, found that, in many instances, the Office of Local Assistance is not following through to enforce its standards. The report found that, as a result, the State Allocation Board and Office of Local Assistance overpaid some management fees, failed to recover advance-planning loans, performed inadequate reviews of districts' reports of contributions, did not review school districts' sales of surplus property for the appropriate numbers of years, and failed to complete school construction project audits. Examples from the report:

* Erroneous or improper deductions claimed by districts went undetected. As of July 30, 1990, the Office of Local Assistance had reviewed only 2 percent of districts' quarterly reports on contributions. In those few reports, districts had made errors on $2.5 million out of a total of $5 million in deductions claimed.

* At the end of construction, an audit is supposed to be performed to ensure state funds were not over-expended. As of June 27, 1990, school districts had completed 1,112

projects, but audits on 779 (70 percent) had not been completed. The average wait for an audit was 24 months, but 16 projects had been waiting for audits since April 1983.[33]

It is not far-fetched to conclude that the system that has been built around school construction has become so complicated that the State is not able to keep up with its own demands. Under a system altered according to the recommendations in the previous chapter -- that is, where the State's major role would be to equalize funding opportunities for school districts with low assessed valuation on a per student basis -- such considerations would disappear.

Even under a reformed system, the State would retain an interest in seeing that schools are structurally sound and educationally adequate, so a state "process" would still be necessary. Criticisms of the present processing structure would still need to be addressed. The two most persistent criticisms the Commission encountered were:

* The process is fragmented and requires the "customer" -- the school district -- to bounce from agency to agency trying to determine the status of a project.

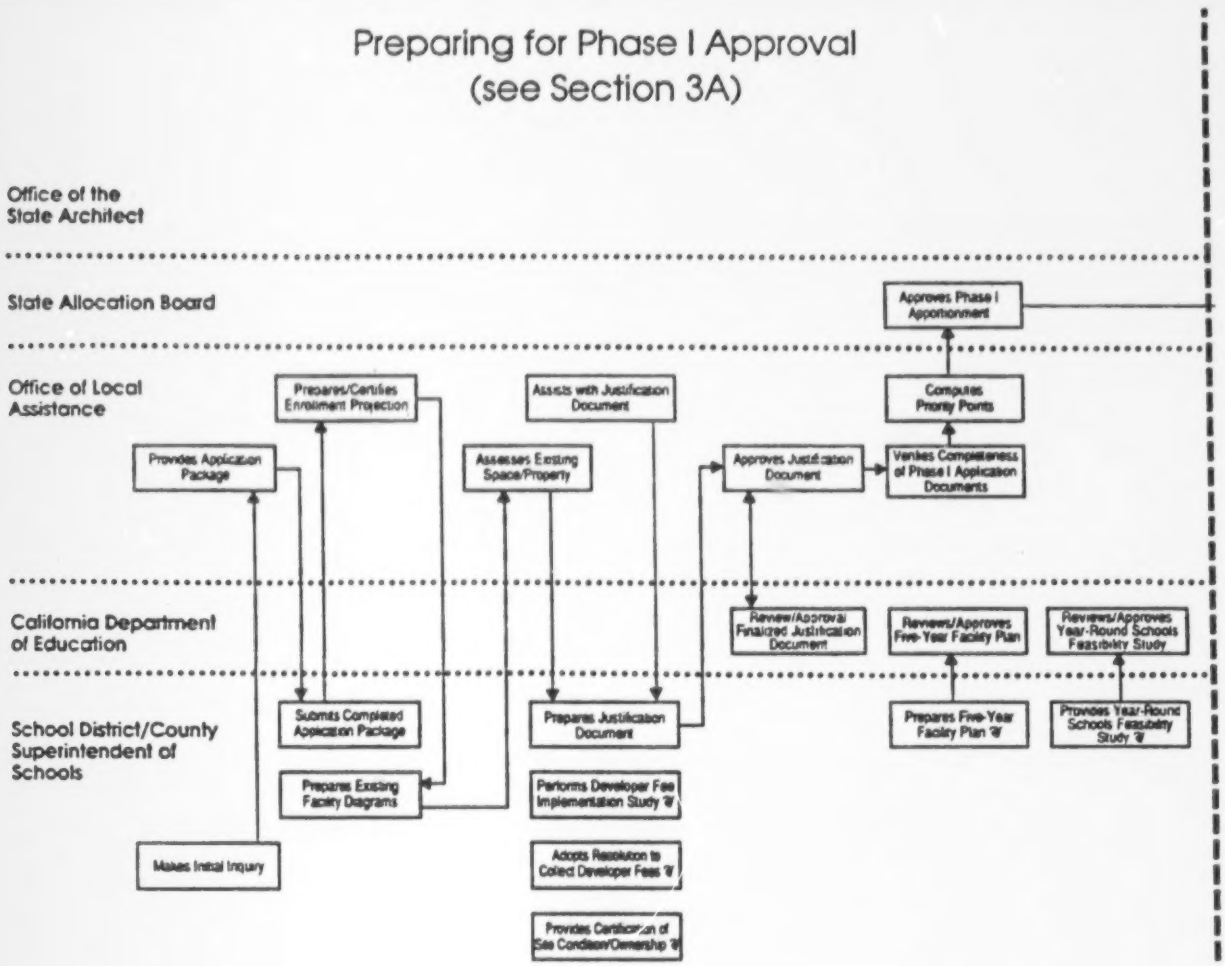
* The Office of the State Architect is the main procedural bottleneck, taking about a year to complete its handling of plans.

Schools Face Fragmented System

The chart on the following four pages indicates the steps a district must go through to obtain approval and some level of state funding.

Chart 14

The State School Building Lease-Purchase Program Application Process Flow Chart


Preparing for Phase I Approval
(see Section 3A)
Office of the State Architect
State Allocation Board
Approves Phase I Apportionment
Office of Local Assistance
Prepares/Certifies Enrollment Projection
Assists with Justification Document
Computes Priority Points
Provides Application Package
Assesses Existing Space/Property
Approves Justification Document
Verifies Completeness of Phase I Application Documents
California Department of Education
Review/Approval Finalized Justification Document
Reviews/Approves Five-Year Facility Plan
Reviews/Approves Year-Round Schools Feasibility Study
School District/County Superintendent of Schools
Submits Completed Application Package
Prepares Justification Document
Prepares Five-Year Facility Plan
Provides Year-Round Schools Feasibility Study
Prepares Existing Facility Diagrams
Performs Developer Fee Implementation Study
Makes Initial Inquiry
Adopts Resolution to Collect Developer Fees
Provides Certification of Site Condition/Ownership

❦ The flow chart above maps the responsibilities of all parties throughout the application process. Tasks required of the school districts for the preparation of approvals should be accomplished simultaneously whenever possible.

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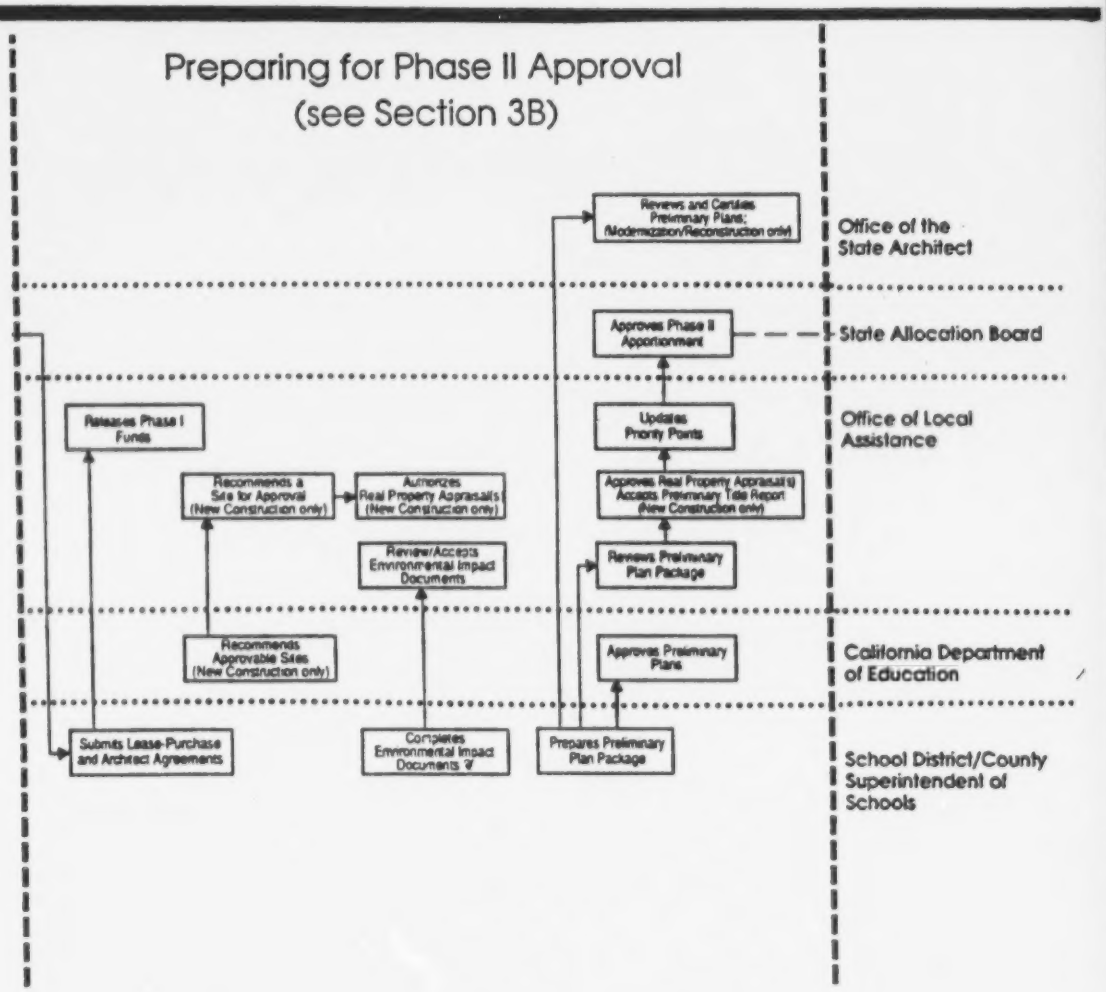
Chart 14 continued

The State School Building Lease-Purchase Program Application Process Flow Chart


Preparing for Phase II Approval
(see Section 3B)
Reviews and Certifies Preliminary Plans; (Modernization/Reconstruction only)
Office of the State Architect
Approves Phase II Apportionment
State Allocation Board
Releases Phase I Funds
Updates Priority Points
Office of Local Assistance
Recommends a Site for Approval (New Construction only)
Authorizes Real Property Appraisal(s) (New Construction only)
Approves Real Property Appraisal(s) Accepts Preliminary Title Report (New Construction only)
Review/Accepts Environmental Impact Documents
Reviews Preliminary Plan Package
Recommends Approvable Sites (New Construction only)
Approves Preliminary Plans
California Department of Education
Submits Lease-Purchase and Architect Agreements
Completes Environmental Impact Documents
Prepares Preliminary Plan Package
School District/County Superintendent of Schools

❦ The flow chart above maps the responsibilities of all parties throughout the application process. Tasks required of the school districts for the preparation of approvals should be accomplished simultaneously whenever possible.

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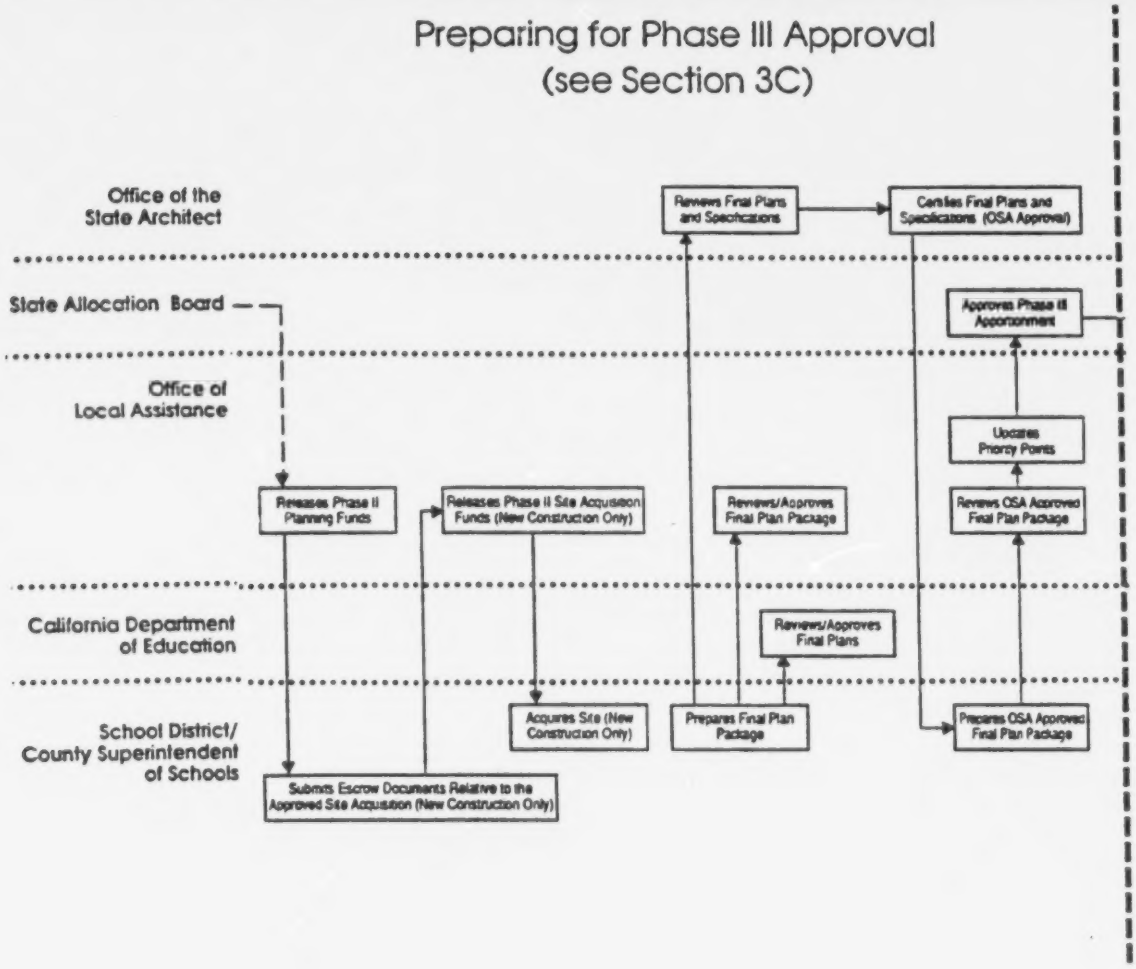
Chart 14 continued

The State School Building Lease-Purchase Program Application Process Flow Chart

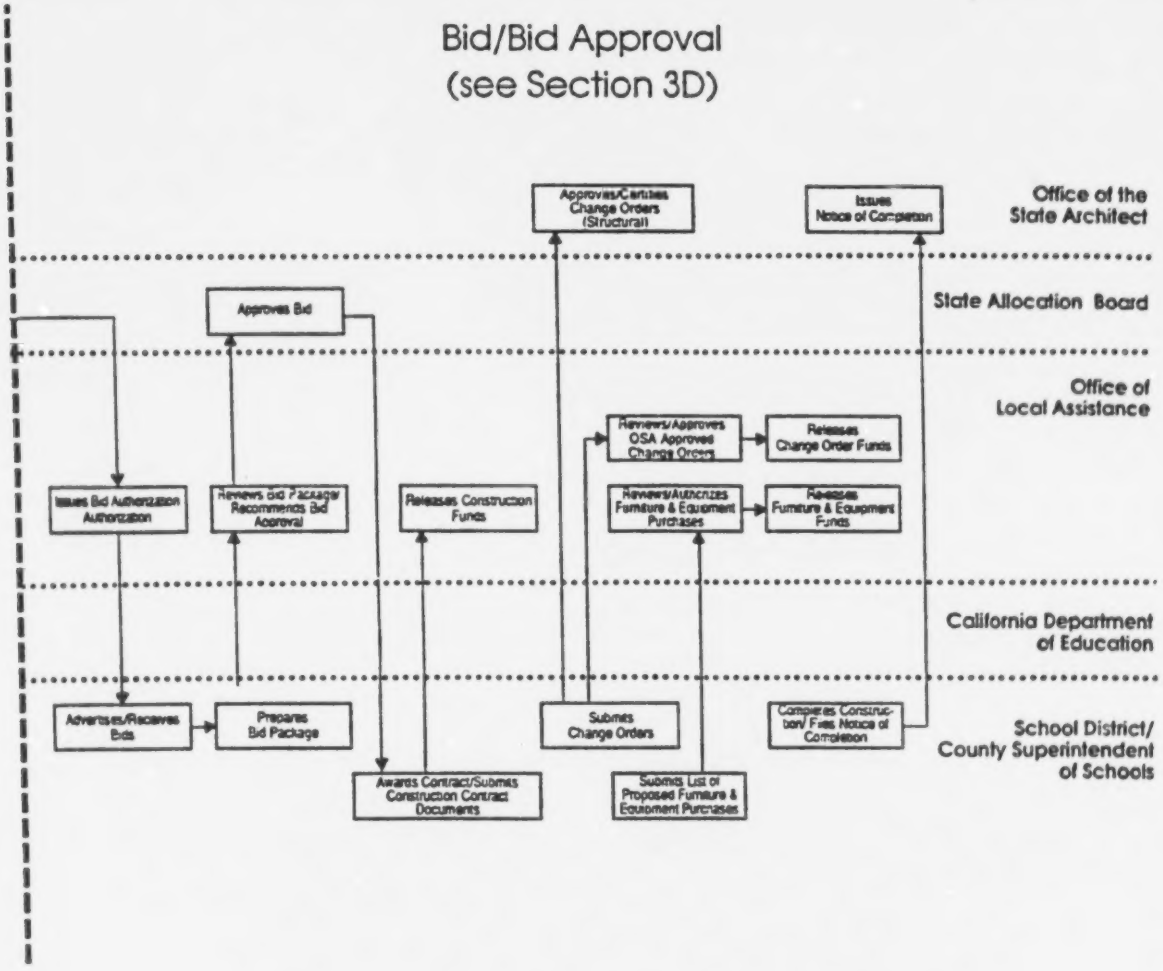

Preparing for Phase III Approval
(see Section 3C)
Office of the State Architect
State Allocation Board
Office of Local Assistance
California Department of Education
School District/ County Superintendent of Schools
Reviews Final Plans and Specifications
Certifies Final Plans and Specifications (OSA Approval)
Approves Phase III Apportionment
Updates Priority Points
Releases Phase II Planning Funds
Releases Phase II Site Acquisition Funds (New Construction Only)
Reviews/Approves Final Plan Package
Reviews OSA Approved Final Plan Package
Reviews/Approves Final Plans
Acquires Site (New Construction Only)
Prepares Final Plan Package
Prepares OSA Approved Final Plan Package
Submits Escrow Documents Relative to the Approved Site Acquisition (New Construction Only)

❦ The flow chart above maps the responsibilities of all parties throughout the application process. Tasks required of the school districts for the preparation of approvals should be accomplished simultaneously whenever possible.

Continued on next page

Chart 14 continued

The State School Building Lease-Purchase Program Application Process Flow Chart


Bid/Bid Approval
(see Section 3D)
Approves/Certifies Change Orders (Structural)
Issues Notice of Completion
Office of the State Architect
Approves Bid
State Allocation Board
Office of Local Assistance
Reviews/Approves OSA Approved Change Orders
Releases Change Order Funds
Issues Bid Authorization Authorization
Reviews Bid Package Recommends Bid Approval
Releases Construction Funds
Reviews/Authorizes Furniture & Equipment Purchases
Releases Furniture & Equipment Funds
California Department of Education
Advertises/Receives Bids
Prepares Bid Package
Submits Change Orders
Completes Construction/ Files Notice of Completion
School District/ County Superintendent of Schools
Awards Contract/Submits Construction Contract Documents
Submits List of Proposed Furniture & Equipment Purchases

❦ The flow chart above maps the responsibilities of all parties throughout the application process. Tasks required of the school districts for the preparation of approvals should be accomplished simultaneously whenever possible.

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As the chart indicates, a school district works with different state entities at different times before proceeding with a school construction project. The Office of the State Architect reviews plans and the actual construction of a school to ensure compliance with the Field Act, the State's earthquake safety law. The State Department of Education sees that designs and selected sites are in accord with state standards, and assists districts with justification and planning documents. The Office of Local Assistance handles the bulk of paperwork, advising the State Allocation Board on the dollars and cents of each project. The State Allocation Board approves funding for each project.

One school facilities expert noted that, geographically, the various offices of the four separate state entities are spread throughout downtown Sacramento so that a school district representative cannot go to just one place to deal with project concerns. Necessary forms and documents are not all in one location. And there is no single manager that is aware of a construction project's status at any one time.

To illustrate the problem a school district might face, one can consider a change order that might occur in mid-construction for reasons that only become evident once the project is under way. Such a change order needs to be approved by the Office of State Architect for structural safety and building code adherence. The same change order has to be authorized by the Office of Local Assistance because of the added cost to the project. Even change orders that require no added cost must be reviewed. The district, then, must pursue approval with both state offices. In the meantime, construction may have been halted and the project delayed through no fault of either the contractor or the school district.

Office of the State Architect

The Office of the State Architect (OSA) is responsible for assuring the structural safety of schools. To accomplish this goal, the OSA rigorously examines architectural blueprints in a process known as plan checking. The process includes double-checking engineering calculations and ensuring that school building code requirements are adhered to. During actual construction, the OSA monitors the continuous inspection process (which will be discussed in the next finding) and, at the end of the project, requires verifications that plans have been followed completely.

At the time of the writing of this report, the OSA is undergoing an intensive, internal review of its processes and procedures because of a long history of complaints about the time the office takes in administering its duties. In testifying to the Commission about his progress at mid-

review, the State Architect[34] confirmed that the average processing time for all school projects was just under a year, although the actual time spent reviewing plans and corrected plans was about six weeks. The breakdown of elapsed time:

Chart 15

Plan Check Process

Plan submitted, not yet "accepted"	2-3 weeks
Accepted, but review not yet started	4-5 weeks
Technical Review	4-5 weeks
Correction time	12-14 weeks
File (certified as approved)	20-23 weeks
TOTAL	**42-50 weeks**

Source: Office of the State Architect

The State Architect shared with the Commission the results of workshops throughout the State. In addition, the Commission gathered examples, complaints and observations about OSA practices. A summary of concerns:

* ***Lack of staff.*** The OSA handles about 2,000 projects, ranging from modest additions to complete schools, each year. Workload demands can vary throughout the year and at least some of the delay can be attributed to a lack of staff at peak demand time. Schools pay plan check fees that are supposed to cover the actual cost of the review, but those funds have been shifted into the General Fund in the past rather than used to hire needed staff. The use of approved, outside contractors has not speeded processing time because plans are rechecked by the OSA.

* ***Lack of uniformity.*** This problem emerges in several forms. OSA office staff may approve the plans but an OSA field inspector may later require mid-construction changes that many view as based on personal preferences. OSA staff in one part of the State allow certain construction practices that are banned in another part of the State even though laws and regulations do not address the situation.

* ***Cost inefficiencies.*** Once the OSA indicates a type of construction or a manufacturer's product that it has pre-approved, architects

and structural engineers tend to follow along, regardless of higher costs. This means that some manufacturers become sole-source providers of items such as bleachers; some types of economical (and equally safe) construction are never used; and some excessive design elements may be repeated throughout a structure when lesser materials could be used. Although the architects and structural engineers could provide proof to the OSA that other choices are equally as good, to do so is time-consuming and costly to the architect or structural engineer -- and any cost savings would be enjoyed by the school district rather than by the designer.

* ***Interpretive guidelines.*** In enforcing building standards and regulations, OSA staff follows an Interpretive Manual that is neither widely disseminated nor subject to public review and comment. Because of their technical nature, building standards and regulations are not subject to the Administrative Procedure Act and review by the Office of Administrative Law, but instead are under the purview of the Building Standards Commission. The Commission has a public hearing and review process for all building standard regulations. The interpretive guidelines, however, are informative rather than prescriptive, according to the OSA. Contractors, engineers, architects and school districts have complained that some interpretations of regulations make little sense and that others block contractors and designers from using common, industry-wide practices for no discernible reason. The OSA, which receives little or no formal input into the way it interprets regulations, is viewed by many as an obstacle to cost efficiency on matters that do not affect safety. The perception that the OSA does not always have sound rationales for its rulings undermines the credibility of the office.

* ***Incomplete plans.*** Because plans are reviewed in the order submitted, architects have been known to submit incomplete plans just to "get in line" for project review. This slows the OSA process because the plans must be returned to the architect for completion and then has to be re-checked when it is returned. In the meantime, school districts are unaware of the origin of the problem and are left with the impression that their plans "are stuck" at the OSA.

- ***Lack of priorities.*** Some plans for which funding is not yet available may be checked before other plans for projects that are ready to move ahead with construction. Change orders, which may delay a project in mid-construction, also do not receive rapid attention.

The Commission also reviewed the possibility, much examined by other entities such as the Legislature and the Seismic Safety Commission, of having plan checks completed locally by the building department officials who monitor most other construction plans (both residential and commercial). This concept has won little favor with those involved, including the school districts that complain about the OSA's lack of speed. Most parties seem to agree that local building departments lack the required expertise and staff to perform either equally to or better than the OSA.[35]

Similarly, plans to require time deadlines for various parts of the plan-check process and to create separate-department status for the OSA appear to the Commission to be either unworkable or unnecessary. Time deadlines in other programs often end up being waived, add to state costs through wasted efforts to track projects, or are circumvented by the appearance of meeting deadlines without any substantive progress. Removing the OSA from the Department of General Services' oversight merely to accomplish more authority for the OSA to meet staffing needs also seems drastic when other mechanisms could meet the same goal.

Streamlining the System

State bureaucracies often are created for purposes of control: seeing that the State receives value for money spent or ensuring that standards are adhered to. But they should also be designed for public service, meeting the needs of their "customers." In order to provide service rather than just control, the State needs to streamline its school facilities approval process.

Recommendation #4: ***The Governor and the Legislature should create a one-stop shopping system so that school districts have a single point of contact for facility projects.***

School districts now must interact with the State Allocation Board, the Office of Local Assistance, the Office of the State Architect and the Department of

Education. The State should centralize its school facilities concerns in one entity that can handle questions of equity, safety and educational adequacy. School districts and their representatives (architects, engineers and contractors) should be required to interface only with a single project manager.

Recommendation #5: ***The Governor and the Legislature should set workload parameters within which the State Architect could exercise independent authority to use school fees to hire retired employees or contract out for plan checking services.***

Whenever project demands outstrip the ability of OSA staff to process plans in a timely manner, the State Architect should have access to plan check fees to hire temporary help or to contract out projects. The process set up by the Legislature should not require prior approval by the Department of General Services, the State and Consumer Affairs Agency and the Department of Finance as long as funds generated by school plan check fees are not exceeded. This will allow the State Architect flexibility and speed to meet changing demands.

Recommendation #6: ***The Governor and the Legislature should require the Office of the State Architect to convene a panel to review and receive input about interpretive guidelines and operating procedures.***

A panel of representatives from concerned industries and school districts should review the OSA's policies and practices. Of key concern should be the practical effect of OSA actions, including decisions the office makes that tend to funnel business to sole-source manufacturers or preclude innovative design options that are safe yet economical. Interpretive guidelines should be updated regularly and disseminated widely, as recommended by the Task Force on State Design and Construction Policy. In addition, they should be clearly labeled as advisory rather than prescriptive so that all of those involved in school facility design are aware that there are other ways to meet state standards.[36]

Recommendation #7: ***The State Architect should proceed with administrative changes to address the delays and inconsistencies he has identified in the school facility plan check process.***

The State Architect has conducted a rigorous internal study of his office's operations and has identified areas where reform is needed. The State Architect should be given the Administration's support to implement these reforms, such as more comprehensive training for staff, prioritizing work loads to take care of change orders and already-funded projects expeditiously, and keeping school districts informed of problems with their architect's plans.

In addition to examining the State's process for approving schools, the Little Hoover Commission also evaluated the effect of the Field Act, the law that dictates how schools will be built so that they may withstand earthquakes. Critics of the law have argued that it dramatically increases the cost of construction and yet provides no more safety than the modern Uniform Building Code, which regulates most other construction projects. Others contend, however, that the Field Act is a rigorously applied standard that does ensure the safety of school children and protection of public property.

FINDING #3: The Field Act limits school district flexibility in meeting classroom needs and increases school construction costs, but provides an added assurance of safety.

The Field Act, California's landmark school structural safety law, is sometimes cited as a reason school districts are unable to quickly and economically meet student space needs. Schools, for the most part, cannot place students in structures that were not built under the

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Field Act and, therefore, may not be able to consider existing, vacant buildings as alternatives when seeking classroom space. The Commission's review, conducted in association with the Office of State Architect, indicates that the Field Act leads to higher costs for school buildings, but these costs do bring a higher assurance of structural safety. A similar level of safety, however, could be achieved if adequate parameters were set to ensure non-Field Act buildings were constructed in accordance with the current Uniform Building Code.

The Birth of the Field Act

On March 10, 1933, at 5:54 p.m., a strong earthquake shook Southern California. The quake, measuring 6.3 on the Richter Scale, severely damaged or destroyed numerous school buildings. If the quake had occurred just hours earlier, there likely would have been catastrophic injuries and deaths among school children.[37]

C. Don Field, a building contractor and state assemblyman from Glendale, personally witnessed the collapse of buildings during the quake. Assemblyman Field quickly introduced legislation to strengthen school structural safety requirements. The bill, AB 2342, was signed by the Governor on April 10, 1933, exactly one month after the earthquake.[38]

The law, known as the Field Act, gives the State the authority to determine structural safety standards, review plans and oversee the construction process for school buildings for kindergarten through the community college level. Based on the Field Act, regulations found in Sections 1 and 2 of Title 24 of the California Code of Regulations dictate materials, methods of construction, inspection requirements and other facets of school construction. As new technologies are developed, the regulations are amended to reflect construction practices that the State believes will safeguard school children and keep damage to public property at a minimum in the event of an earthquake.

From the beginning, the Field Act and accompanying regulations established a construction process and building standards that were stricter than the Uniform Building Code (UBC), a code that has governed most building construction since 1927. Over the years the UBC's building standards have become more similar to the Field Act's, but the Field Act still has a more rigorous plan checking, inspection and reporting process. The chart on the following page provides a comparison of key parts of the Field Act's process with the UBC's:

Chart 16

Field Act, Uniform Building Code Comparison

Field Act Codes	Uniform Building Code
Requires plans to be prepared by a structural engineer or architect.[39]	Does not prohibit persons who are not structural engineers or architects from designing buildings.[44]
Requires construction plans to be checked by an independent state agency, and mandates that errors or omissions be corrected on the plans before a contract for construction is let.[40]	Requires construction plans to be checked by local city and county building officials, and says that plans must conform to the UBC before the official can issue a building permit.[45]
Construction must be continuously inspected by a qualified person in the employ of the school board.[41]	Does not require continuous inspection for all construction.[46]
Requires the responsible architect and/or structural engineer to observe work and prepare the plan changes necessary to overcome unforeseen field conditions.[42]	Does not require the designer of the building to observe work and prepare plan changes necessary to overcome unforeseen field conditions.
Requires a variety of parties (architects, engineers, inspectors, and contractors) to file verified reports, under penalty of perjury, that approved plans were complied with during construction.[43]	Does not require the filing of verified reports.

As shown above, the Field Act has more strict plan checking, inspection and reporting requirements than the UBC. In addition, as will be discussed later, there are different structural requirements, although the differences are minor when a Field Act building is compared to certain types of UBC buildings, such as steel structures and high-rises.

Field Act Exemptions and Waivers

Despite the clear intent of the original law and the passage of almost six decades, not all students are housed in Field Act buildings, in some instances because of exemptions and in others because of waivers. The law allows school districts to use the following non-Field Act buildings under exemptions for programs involving child care, pre-school and pregnant students:

* Leased buildings used for a regional occupational center or program.

* Structures not considered "school buildings."

* Structures for county community schools.

* Structures used exclusively for adult education.

* Community-based structures for independent study programs.

* Structures used primarily for "other than educational purposes."

* Trailers less than 24 feet wide, for special education or driver's training.[47]

Until recently, school districts could also seek waivers from the Legislature for buildings in use that had not been brought up to Field Act standards but that the district was not in a financial position to replace. To encourage all school districts to bring buildings up to code, the Legislature created a one-time, three-year waiver from Field Act requirements for relocatable classrooms or structures owned by school districts on or before April 17, 1990, "upon presentation of satisfactory evidence to the State Allocation Board that the district is proceeding in a timely manner with a program" that will eliminate the need for the waiver.[48]

Currently, there are 5,882 school buildings statewide that have been granted a waiver or that are exempt because of the programs they offer. These buildings hold approximately 176,460 students, or about 3.5 percent of total enrollment.[49]

These figures underestimate the number of children in non-Field Act buildings, however. The requirement that the district be proceeding with a construction program to eliminate the need for the waiver within three years has led to some districts housing students in non-Field Act buildings without applying for waivers if they know they do not have the resources to replace the buildings within that time span.[50]

Some school experts believe that as many as 40 percent of the State's 5.1 million students are housed in non-Field Act buildings. This includes portable classrooms that have been placed on foundations that have not been approved by the Office of the State Architect, and it includes portables that have been approved at one time but have been moved without OSA oversight.

In a May 1991 Auditor General report, only 26 percent of 153 portables at 20 school sites were found to comply with state standards. The report said:

> *The OSA noted that it does not have the authority or the responsibility to prevent the use of buildings without final certification or buildings that do not conform to the State's safety standards. When school districts acquire or move a portable structure, the school districts are responsible for initiating the OSA certification process. However, school districts do not always do so. For example, a school district in Southern California installed 30 portable classrooms and rest rooms without applying for the OSA's approvals, inspections or certifications. An OSA field engineer inspected the facilities and determined that the portable classrooms may not have met state safety requirements. The OSA notified the school district of its findings, but the district denied that it needed to take corrective actions. Beyond using correspondence to inform the school board that it was violating state law, the OSA takes no further action because it does not have the authority to condemn school structures that are unsafe or the authority to prevent unsafe occupancy. Consequently, there appears to be no mechanism for enforcing Field Act standards for state school structures. Therefore, many school structures may be unsafe.*[51]

Another indication that the Field Act is not providing a universal blanket of protection is a report to the California Seismic Safety Commission by the Office of the State Architect. Officials estimated that because Field Act requirements have improved over the years, buildings constructed several decades ago under early regulations or retrofitted to meet earlier standards no longer meet current Field Act standards. Approximately 30 percent may have seismic problems that need addressing.[52]

Despite the general belief that the Field Act is protecting school children from injuries during earthquakes, there is substantial evidence that many students attend classes every day in facilities that do not comply with the Act's provisions.

Concerns About the Field Act

When school construction is discussed, the Field Act is almost invariably raised as an issue that sets these building projects apart from all others. During the course of its study, the Commission was alerted to three primary criticisms of the Field Act:

* ***Structural safety requirements are unnecessary:*** The Field Act's strict construction requirements prevent school districts from using vacant UBC office space for classrooms. Vacant office space provides a quick means of meeting the growing student population. Critics believe that high-quality UBC buildings are of comparable structural safety to the Field Act.

* ***Cost is too high:*** The Field Act's requirement that there be continuous inspection and higher building standards leads to higher costs for school buildings.

* ***Plan checking process is too lengthy.*** The Field Act's requirement that the Office of the State Architect review and approve all plans lengthens the school facility process, increases the cost of school construction and prevents schools from being built quickly.

The latter criticism, the length of the plan checking process, was discussed under Finding #2 of this report (see page 56). The delays in the OSA process appear to be related more to the way the functions are carried out than to any specific requirement of the Field Act. In other words, it is theoretically possible for complete compliance with the Field Act to occur without a year's processing time by the OSA.

Comparing Structural Safety

In comparing the safety of Field Act buildings to UBC buildings, it is important to note that Field Act buildings are constructed to a single high standard, while UBC buildings are constructed to varying levels of quality. For example, the UBC requirements for a 30-story high-rise building are different than for a one-story warehouse.

The UBC distinguishes among the following building categories: Type I, Type II, Type III, Type IV and Type V. Because the distinctions between each type of building lie in arcane technicalities, it is easier to understand the types by describing common examples of each. In general, high-rise structures are Type I buildings; gasoline station mini-marts are Type II; strip shopping malls are Type III; mountain resort cabins with heavy timber structures are Type IV; and apartment complexes and single-family residential buildings are Type V.[53]

Advocates of allowing school districts to use UBC buildings to house students believe that Type I buildings are of comparable structural quality to Field Act buildings. These buildings demand a higher quality of materials and

construction expertise than other types. For instance, a steel-structure high-rise requires continuous inspection during welding. A strip shopping center has much lower requirements, as does a single-family dwelling.

As previously discussed, the primary difference between the Field Act and the UBC is in the construction process, not in the construction standards. The Field Act has a plan checking, construction inspection and reporting process that contractors, architects, engineers, school districts and the OSA itself all agree is vigorously enforced by the OSA (some, in fact, used the term "over-enforced"). The same parties felt that local building officials are inconsistent in applying the UBC and lacking in follow-through. Because inspection of construction practices is not continuous, there is no guarantee that contractors have not cut corners. The UBC is regarded as under-enforced in general.[54]

But inspections and paperwork are not the only differences. For example, the Field Act requires safety cables for pendant-mounted light fixtures, while the UBC does not. The Field Act also requires foundation anchor bolts every 12 inches while the UBC requires the bolts every 16 inches. Overall, however, the OSA believes that the construction standards for Field Act and UBC buildings are very similar and are not a major factor affecting structural safety.[55] **Appendix D** contains a comparison of construction standards for Field Act and UBC buildings prepared by the OSA.

Building Performance in Earthquakes

Both Field Act and UBC buildings have withstood recent earthquakes quite well. The 1989 Loma Prieta earthquake, which measured 7.1 on the Richter Scale, provided the most significant recent test of the resilience of Field Act and UBC buildings. Out of 1,200 Field Act schools affected by the quake, not one collapsed nor were there structural failures that would have caused injuries had the schools been occupied (like the Long Beach earthquake in 1933, Loma Prieta occurred after school hours).

Although eleven schools had significant structural damage, a majority of the damage was inflicted on schools that were built before the establishment of the Field Act and were subsequently retrofitted. One school, Loma Prieta Elementary School, was located on top of a fissure. The quake cracked the school's foundation, but nevertheless left the school standing.[56]

Similarly, most UBC buildings designed after 1973 responded well to the Loma Prieta quake. The UBC was updated in 1973 to reflect higher seismic standards developed after the 1971 Sylmar quake.[57] There was some damage to buildings that were supported on soft soils, as well as collapse of industrial-quality buildings, dropping of

internal ceiling panels and loss of precast-concrete panels from high-rise structures.[58] Although many buildings collapsed during the Loma Prieta earthquake (particularly in the Marina District of San Francisco, downtown Santa Cruz and downtown Watsonville), many of these were constructed before the UBC was established in 1927.

Despite the good performance of Field Act and UBC buildings during the Loma Prieta earthquake, studies indicate that the quake was not a good test of modern buildings. The earthquake had a short duration of strong ground motion, according to engineering associations. A longer period of strong ground motion would have resulted in significantly more structural damage.[59]

In April 1992 two significant earthquakes occurred, one near Palm Springs and one near Eureka. Early reports indicate that no Field Act schools suffered significant damage and that most of the damage was to buildings built before the UBC was established.[60]

In summary, the Field Act has a more strictly enforced construction process than the UBC. There is a consensus among representatives from the building profession that the Field Act's superior plan checking, inspection and reporting process provides a higher degree of quality assurance than exists for UBC buildings. Both Field Act and UBC buildings performed well in recent earthquakes.

Comparing Construction Costs

The Field Act has long been accused of increasing the construction costs of school buildings. Estimates of the Field Act's costs as a portion of total construction costs have ranged from 2 percent to over 75 percent, but none of the estimates have achieved a sufficient level of acceptance so as to become authoritative.[61]

In conjunction with the Little Hoover Commission's study, the Office of the State Architect in April 1992 convened a study group composed of contractors, architects, engineers, and a school district administrator to provide a more definitive assessment of the cost of the Field Act. As a whole, the group acknowledged two factors about their efforts:

* All of them, to some extent, derive their livelihoods from Field Act-related work. Their knowledge of the Act and its workings makes them the specialists that school districts hire to build new facilities. The State Architect set the tone for the study from the beginning, encouraging members to set aside any predisposition to view the Field Act favorably from a cost perspective.

* All of them believed there is added value as a result of the Field Act, both in terms of safety and quality of building. As one participant put it, none of them wanted to participate in a study that would reach the conclusion that the Field Act should be discarded and children's safety put at risk. The State Architect, however, reinforced the concept that the study was purely about costs and not about policy considerations, such as desirable trade offs between costs and safety.

The group met in two day-long sessions, forging agreements on cost differentials on all aspects of construction from the foundation up. The group specifically defined the comparison as between nine actual Field Act schools and the same schools that would have been constructed under UBC codes as they currently are written (thus factoring out the potential under-enforcement of the UBC).

Discussions by the group included large-scale items, such as how many extra glulam beams would be required and the added cost of their inspection, down to smaller items, such as the cost of additional anchor bolts. The comparison was made on all construction costs from site preparation to the building's readiness for students.

The results of the group's study are shown in the chart on the next page. Hard costs are actual construction costs, while soft costs are those expenses incurred for permits, plan checking, design and other indirect charges.

Chart 17

Increase in Costs for Field Act Construction

Identification	Hard Cost % Diff	Soft Cost % Diff	Total % Diff
Wagner Holt, K-16, Wood, $4.9 million	1.90	3.01	4.91
John Kennedy, K-6, Masonry, $5.1 million	1.78	3.75	5.53
North La Verne, K-6, Wood, $5.4 million	1.57	1.96	3.53
Silva Valley, K-6, Wood, $5.4 million	1.38	2.02	3.40
Vinyard, 7-8, Wood, $8.9 million	1.58	1.93	3.51
Park View, 7-8, Wood, $9.8 million	1.93	1.61	3.54
Jackman, 7-8, Wood/steel, $11.5 million	1.65	1.54	3.19
Florin, 9-12, Wood, $18.5 million	1.77	1.86	3.63
Bear Creek, 9-12, Wood, $19.1 million	2.48	1.85	4.33
Averages	**1.78**	**2.17**	**3.95**

Source: Office of the State Architect

As indicated by the chart, the study group found that the Field Act increased costs for the nine school projects by 3.95 percent over the UBC. For "hard costs" such as site improvements, building construction and change orders, the Field Act cost an average of 1.78 percent more than the UBC. For "soft costs," such as architect and consultant fees, building permits, testing and inspection, the Field Act cost 2.17 percent more than the UBC. **Appendix D** is a portion of the State Architect's report, including a summary of the costs for specific line items used in the study.

To place this amount in perspective, the cost analysis means that for each $1 billion spent on school construction, about $40 million is due to Field Act requirements. Using the Office of Local Assistance's five-year projection of a need to spend about $8.5 billion on school construction (without land costs), the proportion of spending required for the Field Act would be about $340 million. Doing away with the Field Act -- a move that no one forthrightly advocated to the Commission during the entire course of the School Facilities study -- would not necessarily save that much money, however. Added plan checking and enforcement duties for those who normally handle UBC buildings (local building departments) would clearly add some level of cost.

The additional costs of the Field Act also must be weighed against the benefits of increased durability and safety of Field Act buildings. Supporters have extolled the act's benefits for decades.

* A 1953 study by the Structural Engineers Association of Northern California declared that the Field Act "is a good investment. It gives reasonable assurance that any extensive earthquake repairs will be unnecessary during the life of the school."[62]

* A 1979 study conducted for the California Seismic Safety Commission found that "with one exception, no Field Act school has been earthquake-damaged to the extent that any major repair work was necessary."[63]

* Members of the Field Act cost study group likewise praised the high quality buildings that are produced as a result of Field Act requirements. Staff from the OSA, for example, note that Field Act schools are so well-built that they were used as shelters in the aftermath of the Loma Prieta earthquake.[64]

But the added margin of safety provided by the Field Act versus its additional costs also have begun to be questioned by policy makers. For instance, the Legislative Analyst's Office has recommended that community colleges be removed from coverage by the Field Act, noting that construction costs and time are increased by compliance with the act, but that comparable students (in terms of age and independence) attend classes in the University of California and California State University and Colleges systems in non-Field Act buildings.[65]

Potential Use of UBC Buildings

The requirement that almost all classrooms meet Field Act standards has stopped some school districts from pursuing creative approaches to school facility needs. For instance, San Diego Unified School District wanted to lease a duplex adjacent to an elementary school to house a medical clinic that would serve students' health needs. Since the duplex did not meet Field Act standards, the school district instead had to use three portable classrooms at a cost of $215,000 (purchase price and set-up costs). A school administrator said the requirement did not make sense in this instance because the same people could receive medical services at other public clinics that only met UBC building codes.[66]

Other urban school districts that have been swamped by increasing enrollment, such as Los Angeles Unified School District, also have seen the Field Act as a hinderance. These districts have called for putting classrooms in vacant,

existing UBC Type I or Type II office buildings. Potential benefits of using UBC buildings to meet short-term demand for classroom space include: the quick ability to meet soaring enrollment; a reduction in school district costs to bus students; the elimination of the need to acquire school sites in expensive, already-developed urban areas; and the value of having students attend schools in their own neighborhoods.

However, there are several potential negative impacts of using UBC buildings for schools, including high lease costs, the absence of recreational facilities and the lack of assurance of structural safety.

* ***High lease costs.*** The Commission compared lease costs to school construction costs in the Los Angeles area. The annualized cost to build and operate a five-acre, 52,140-square-foot elementary school in the Los Angeles Unified School District would be about $12.43 per square foot in 1992-93. The cost is expected to increase to $13.93 per square foot in 1998-99.[67] This cost is based on a 60-year amortization. By contrast, the annualized cost to lease office space in downtown Los Angeles ranges from $18 to $40 per square foot for buildings constructed since 1980 and $15 to $33 per square foot for buildings constructed between 1960 and 1979. Buildings constructed before 1960 (some of which may not be in adequate condition) lease for $10 to $26 per square foot[68]. Therefore, it likely would cost the LAUSD more to lease space than to construct a school.

* ***Absence of recreational facilities.*** Office buildings in urban areas often do not have recreational facilities that traditionally are a component of school campuses. Campus recreational areas provide space for recess periods, sports and other important elements of school life. Proponents of office leasing acknowledge this drawback, but contend that the problem can be addressed by the school district using excess parking facilities or by leasing recreational space in some other area. Therefore, the provision of recreational facilities for schools located in office structures may be possible if buildings have usable parking space. If not, there would be additional cost and inconvenience to provide recreational facilities or the schools would have to do without such facilities.

* ***Lack of structural safety assurance.*** As discussed previously, there is a consensus among those related to the building profession that UBC buildings have a lower assurance of structural safety than buildings constructe d to the code prescribed by the Field Act. However, proponents of office leasing argue that the Type I UBC buildings must meet construction standards that are nearly equivalent to the Field Act's. Proponents also argue that the less strict construction enforcement process for the UBC could be remedied by conducting extensive structural inspections of the office buildings, although such inspections might be costly. Finally, proponents contend that there is adequate precedent for housing students in non-Field Act schools, since there are already tens of thousands of students covered by waivers and exemptions.

There are significant drawbacks to allowing school districts to use vacant office space for classrooms: higher leasing costs, lack of recreational facilities and lack of structural safety assurance. But the shortage of classrooms in some school districts has reached a crisis stage that may require temporary solutions that the State would not normally allow.

In addition, the ability of school districts to conduct creative educational programs may also be limited by Field Act requirements. For example, if a school district wished to establish a joint education program with a private business school or a public museum housed in a Type I UBC building, it could be within the best interests of the students for the State to provide a process by which the building could be given a permanent Field Act equivalency certification.

This type of joint education effort is occurring in Los Angeles at the Museum of Science and Industry. LAUSD is providing classrooms on the museum's property through the State's "Space-Saver" program, a program that encourages school districts to work creatively in finding school sites in urban areas. LAUSD will be using classroom space in existing museum buildings. These buildings will be reconstructed to provide a higher degree of structural safety.[69] Students will have the benefit of classroom learning while being in close proximity to the resources available at the museum.

The Field Act On Balance

The Field Act and its associated regulations clearly provide more ***assurance*** of structural safety than does the UBC, although the actual structural safety advantage is only slight if UBC requirements for high-quality

buildings are properly and rigorously enforced. The price for the added assurance is almost 4 percent of construction costs. While this sounds like a small factor, it adds up quickly when the cost of construction is expected to be billions of dollars. By at least one estimate, the cost of school construction during the next five years will be about $340 million higher because of the Field Act requirements and process.

Nonetheless, those connected with school facility policies appear to be in agreement that the added cost is a good trade-off for increased assurances of safety and durability. However, tens of thousands of students -- and perhaps as many as 2 million -- attend classes each day in non-Field Act space because of waivers, exemptions and lack of enforcement. It is, therefore, not out of line with current state policies and practices to recognize that there are valid reasons to have both temporary and permanent exceptions to the Field Act.

Recommendation #8: ***The Governor and the Legislature should establish an inspection process that would allow a 10-year waiver for school districts to use UBC Type I and Type II buildings as classroom space when enrollment projections exceed available or expected resources to meet those projections.***

School districts should be able to use these buildings only after a structural engineer has thoroughly inspected the building to make sure that it adheres to the UBC Code for Type I and Type II buildings. The structural engineer's inspection should include a review of construction documents, architectural drawings and the local government's record of construction inspection. In addition, some amount of "deconstruction" -- actual sampling of welds, anchor bolt placements and other construction aspects -- should be required. The 10-year length of time for this temporary, one-time waiver is to allow for amortization of the high cost of this type of inspection over a greater period of time than the existing three-year waiver program (which applies to school district-owned facilities).

Recommendation #9: ***The Governor and the Legislature should establish an inspection process that provides school districts with a permanent Field Act equivalency certificate for UBC Type I and Type II buildings that offer joint education opportunities.***

The equivalency certificate would only be issued after the same type of inspection and de-construction process outlined for Recommendation #8. To support the need for a permanent waiver, a school board would have to make a specific finding that the educational advantages of using such a building are paramount and that the benefits to be gained by students because of joint education opportunities are significant.

Recommendation #10: ***The Governor and the Legislature should augment the inspection budget of the Office of the State Architect and give the office increased enforcement powers to deal with school structures and portables that are not in compliance with the Field Act.***

It would appear to be specious reasoning to, on the one hand, decide that $340 million in extra construction costs during the next five years is worthwhile because of added safety assurances and, on the other hand, to ignore the huge numbers of students that attend classes every day in non-Field Act buildings. School districts should be prevented, in particular, from moving portables to uncertified foundations. If the districts are driven to these measures by the lack of timeliness of inspections, then the State has a responsibility to increase its efforts in that direction. Meaningful sanctions may need to be created to convince school boards that Field Act compliance should not be taken lightly.

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Recommendation #11: ***The Governor and the Legislature should extend the existing three-year waiver to a more reasonable time frame that would allow school districts to pursue realistic plans to eliminate the need for a waiver.***

There is legislation pending this year that would allow two three-year waivers for relocatable classrooms.[70] If approved by the Legislature and the Governor, this legislation may encourage more school districts to apply for a waiver and work toward developing school facilities that conform to the Field Act. In the meantime, the State would have a more reliable picture of the number of students attending school in non-Field Act buildings and, based on geographic location and earthquake potential, could take further steps if warranted.

Untying Their Hands

- *Many state policies are disincentives to long-range planning and creative asset management by school districts.*
- *Districts that do a good job despite hindrances:*
  1) *Take full responsibility for school facility needs.*
  2) *Use the wide range of alternatives available for funding.*
  3) *Forge community support.*
  4) *Work closely with local planners.*

Recommendations:

- *Modify the Naylor Act so that school districts are not at a disadvantage when they sell land.*
- *Abolish counter-productive penalties and policies.*
- *Give students freedom to attend any school in any district when their neighborhood facility is full.*
- *Require a prudent, life-cycle based approach to maintenance.*

Untying Their Hands

School districts are distinct political entities with boards elected specifically to decide educational policy, practices and issues locally. Mandates from above -- whether from the federal or state government -- constrict the choices that district boards may make. Sometimes the mandates have the goal of providing uniformity in education for all students throughout the State. But other times, mandates are imposed for non-educational reasons. The effect of these mandates often is to stifle school district flexibility, even when choices made at the local level could actually serve to improve the educational program. In some cases, mandates may allow a district to disclaim responsibility for duties that very clearly should be local obligations.

In this section, the Little Hoover Commission examines state policies and school district practices that work at cross-purposes.

FINDING #4: State policies and requirements have either blocked or not promoted long-range planning and creative asset management practices for school districts.

The State requires school districts to have five-year facility master plans and provides, through the Department of Education, numerous planning guides and ample information to assist schools with long-term planning. But at the same time, many state laws and policies work against school districts engaging in proactive asset management and, as a result, deprive districts of opportunities to maximize revenues. Among the problems are:

* The land sale law known as the Naylor Act.
* The requirement that school districts pay a penalty for unused land and facilities.
* The practice of requiring any funds realized from the sale or lease of property to be counted against money that the State would otherwise provide.
* Special requirements pertaining to construction of public projects.

In other instances, the State has attempted to encourage maximization of assets through mandates, but the result has not always been what was intended. These have included:

* Requiring that 30 percent of all new school facilities be relocatable.
* Requiring that school districts consider using other districts' vacant land or unused facilities before advancing plans to build new schools.
* Giving a high priority to funding new projects for school districts that adopt year-round schedules that provide maximum usage of existing facilities.

* Funding a share of school districts' deferred maintenance needs.

The Naylor Act

Under a state law known as the Naylor Act, school districts that wish to sell surplus property must first offer up to 30 percent of it to cities, park and recreation districts, or counties at a purchase price of no less than 25 percent of fair market value. (Although in theory the price could exceed 25 percent, in practice school districts have little leverage for negotiating higher compensation since they cannot place the property on the open market once a public entity has declared it wants to purchase the land.) Only after those local government entities turn down the property may a school district market it for its full value.

The law was designed to ensure that school sites would remain as open space and recreational land in a neighborhood even if an existing school was no longer needed or it was determined no school needed to be built on the location in the future. The practical effect has been to block districts from disposing of unusable land and using the funds to develop needed facilities elsewhere, since the sale would be at an artificially low price and any purchase of replacement land presumably would be at full price. School districts have no similar cut-rate opportunity to purchase land declared surplus by cities, counties and park districts.

One example of how the law can entangle school districts is the case of Moorpark Unified School District, which sought to sell unused property to raise funds for capital outlay needs. Under the Naylor Act, the City of Moorpark notified the district that it intended to buy a portion of the land. The district sought to negotiate, in addition to price, a new zoning for the remainder of the property that would make it more attractive to other buyers.

In 1989, when months of negotiations ended in stalemate -- the school district made several offers, all of which the city rejected without counter offers -- the city filed suit to force the sale. Eventually the Supreme Court ruled that the Naylor Act does not set up a system outside the common law of contracts and that a school district is not precluded from negotiating a new zoning as a condition of sale. The case delayed the resolution of the property's future for more than three years, blocking the school district's efforts to meet its growth needs.[71]

It is not unreasonable for the State to adopt policies and laws to preserve open space. However, the Naylor Act places one public entity at a disadvantage to all others -- at

no overall advantage to the taxpayer, who provides the funding for both the schools and the local governments.

The Non-Use Penalty

As the Price Waterhouse evaluation of the State's school facility program noted, the State is driven to maximize the number of classrooms it can build for any given amount of State funds and to make the construction of new facilities a very last resort.[72] As a result, the State requires school districts to employ all unused facilities and land, either by placing students in them, leasing them out and using the revenues for facility needs, or selling them and earmarking the funds for capital outlay. Districts must pay the State a penalty assessment for land or facilities that are unused for more than five years (although the first two years' worth of penalties will be credited back to the district if the property is placed in service after seven years).

This policy is reasonable from the State's perspective. The State does not want to fund projects if other alternatives could be used. But it has several unfortunate consequences. Since the State has no true centralized database of all school property, the State relies on district self-reporting. State officials believe -- and it is informally acknowledged by many school facilities experts -- that many school districts simply "hide" unused property from the State.

In 1988, the Department of Education surveyed 219 school districts in nine Southern California counties. Fifty-five percent acknowledged having surplus sites, for a total of 200 sites of about 3,263 acres. A publication called Public Real Estate Digest in 1991 said a conservative estimate of the value for the property in question is about $1 billion, but noted: "most involved in school district real estate on a statewide level believe only a small percentage of districts truly expose the full amount of surplus property under their control....[The value] could, in fact, be two to four times more due to the tendency of under-reporting or even non-recognition of what is or could be declared surplus property."[73]

This perceived under-reporting of surplus property makes it difficult to estimate the true future facility needs on a statewide basis.

In addition, the unused-site-penalty policy causes school districts to lose flexibility for long-range planning. They are unable to "land bank" property, unless they pay a penalty, that may be cheap today and a prospective area for future residential development. Instead, the districts may find it more economical in the short run to avoid the penalty and wait until development is under way and land prices have risen. Since under the current state program, the State pays either all or half of land costs, the failure to land bank suitable property can cost the State more in the long run.

Profits From Land Management

The State requires districts to have exhausted all of its funds that have been earmarked for capital outlay before the State begins providing funds. While this is a sensible policy from the State's perspective, it often causes districts to sit on assets they might otherwise try to maximize.

The practical effect of the policy is that if a district has a surplus piece of property and sells it, the funds will have to be expended for construction before the State money is available. If, however, the district hangs on to the surplus property -- and if five years have not expired or its existence has never been reported to the State, the district is not paying a penalty for it -- then the State proceeds to fund the project as if the district had no usable assets.

A 1988 law does allow a school district to pursue joint ventures (private-public partnerships) on unused land without the State counting the funds against State contributions, but this is a relatively new area of endeavor for schools and is not yet widely employed.

Special Requirements for Public Projects

State school facilities experts have noted that school districts face particular barriers in using some of the techniques being employed by other government entities to forge partnerships with private enterprise. Many believe that these barriers preclude "turnkey" operations, where private entrepreneurs would build a school from scratch and then sell it to the district, or other privatized approaches to school facility needs, such as having residential developers provide the needed facilities in lieu of developer fees.[74] Barriers precluding such creative strategies include:

* ***The prevailing wage.*** State labor law requires that school facilities be built by contractors paying the "prevailing wage." This, in general, means union wages are paid and construction costs are higher than they would be if non-union labor were used. Some critics have charged that this increases the cost of projects between 10 and 25 percent, while supporters have indicated that they believe the prevailing wage requirement ensures a higher quality of work and more dependable contractor.[75]

* ***The Field Act.*** As discussed earlier in this report, the Field Act lays out stringent construction and inspection practices, adding to the costs of a project.

* ***Minority and women business use.*** Requirements that portions of a project be completed by subcontractors that are minority- or women-owned (or that a good-faith effort to use such subcontractors be demonstrated) add to the complexity of the process. In fact, the State Allocation Board has several times awarded construction bids to higher-cost contractors, rejecting low bidders because of the failure to understand and comply with these requirements.[76]

Relocatable Requirement

State law requires that all new school facilities be designed so that at least 30 percent of the classrooms are relocatable -- that is, buildings that could be detached from a foundation and moved to another location. The intent of this law was to give districts greater flexibility as patterns of student population changed. If a district had increasing enrollment in one area and declining populations in another area, portions of a school could simply be relocated at lesser cost than building an addition from scratch.

The Commission received conflicting testimony on how the relocatable requirement is met by districts. Several school facility authorities said that classrooms are simply "stick-built" like the rest of the project, but made to be moved more easily than a standard classroom. This would mean school districts are not taking advantage of lower-cost, more movable prefabricated units. Others indicated that prefabricated units are used.

Because the law is a recent innovation and changing patterns of population growth usually emerge over a number of years, the ability of this law to meet its intent is untested so far. However, there are school facility experts who believe that limited resources and the variation in student population pressures over time should dictate a new approach to school facilities. These experts advocate constructing permanent "core" facilities, such as a multi-purpose room and cafeteria, surrounded by a recreation area. Economical and educationally appropriate pre-fabricated modules would be erected for the rest of the school. When student population declines or shifts to a different geographical area, the portable portions of the school could be moved elsewhere, leaving a permanent community facility and recreation area behind for the on-going use of residents.

Cross-Boundary Agreements

While the State has had some degree of success in forcing school districts to use all their existing facilities before considering new construction, it has

been less successful in coercing districts to look beyond their own boundaries. State law requires that school districts ***consider*** vacant or unused schools in adjacent districts before seeking state assistance to construct new facilities. However, nothing compels the adjacent district to agree to lease its facilities, and the "consideration," in most cases, is a letter stating that the district inquired about leasing possibilities and was turned down.

The Commission was given dozens of examples of cross-boundary arrangements that were pursued by one district but rejected by the other -- and no examples of any existing cross-boundary agreement. State officials and other facility experts said that turf considerations, unwillingness to have the other district's pupils brought into the area, and desire to keep the facility free for the district's own future use all play a role in keeping districts from striking a bargain.

The result is that public money is expended to build new facilities when existing facilities could fulfill the need. In addition, students may be bused long distances in their own district when a much shorter commute might be possible to an under-used nearby facility in another district.

Some school facility authorities have expressed the opinion that a choice system within the public school framework would allow students to gravitate to nearby, under-used facilities. Community colleges in California operate under such a system. Any qualified student may attend any community college, regardless of boundaries and residence.

The educational community in the past has resisted such freedom of choice, arguing that it would play havoc with attempts to avoid racial segregation and that it would favor students whose families could afford transportation to far-off districts. However, limited steps toward such a system can be seen in the creation of "magnet" school programs that draw students from throughout a district.

Year-Round Education

The Commission is aware that comprehensive and exhaustive studies have demonstrated the value of multi-track, year-round education calendars, both in terms of educational progress and getting the most out of facilities. This study did not re-examine this issue nor did it explore how successfully the program has been implemented.

However, it is noted that the State has adopted a carrot-and-stick approach to encourage districts to adopt year-round schedules. The carrot is the promise that year-round districts that plan to build an additional year-round school go to the head of the funding priority list. The stick

is that those schools that refuse to move in the direction of year-round schedules will find that there is no funding left by the time the State reaches the bottom of the priority list.

Deferred Maintenance

In order to encourage school districts to perform proper upkeep on facilities owned and operated by the district, the State has a program to provide deferred maintenance funds. To participate, a district must earmark 2.5 percent of its operating budget each year for maintenance needs. The State then provides matching dollars to the extent funds have been allocated by the Legislature for an additional amount that ranges from 1 to 2 percent.

Many districts complained to the Commission that the State has never "fully funded" the deferred maintenance program. Thus, districts feel they have been forced to set aside maintenance funding without ever receiving the full benefits that they were promised.

It is interesting to note that in 1989, backlogged maintenance needs were estimated at about $1 billion. In 1978-79, prior to the existence of the State program when facility upkeep clearly was the obligation of the school districts, a deferred maintenance study showed that $900 million to $1 billion of maintenance needs then existed.[77] One way to view this information is that the State has identified a shortcoming on the part of school districts, created a program to change the conditions, and succeeded only in having districts shift the blame to the State for unmet maintenance needs. Another perspective is that at least deferred maintenance needs have not worsened in the ensuing 13 years, despite more and older buildings and the effects of inflation on maintenance costs.

A clear failure of the deferred maintenance program is the lack of linkage between the funding requirement and actual building needs. Many school facilities experts have noted that 2.5 percent of an operating budget, even when increased by 1 or 2 percent state funding, is probably not a sufficient amount.

Others approach the problem differently. In Washington State, for instance, districts only may participate fully in the state facilities funding program if for the previous 15 years they have set aside 2 percent of the building's replacement value (not of their operating budget) annually. As another example, the National Research Council, in a report issued in 1990, said a budget allocation for routine maintenance and repair ranging from "absolute minimum" to "appropriate" would be 2 to 4 percent of the aggregate current replacement value of the facilities (not of an operating budget). The report goes on to caution that

specific percentages will vary depending on the age of the buildings, the type of construction, the level of use of the buildings, the structure of the maintenance organization and the climate.[78]

Even within California, the approach to maintenance is handled differently in other programs. For instance, the Streets and Highways Code requires that maintenance and safety matters be dealt with first before dollars are expended on new construction. For homeowner associations that have an obligation to maintain common areas, California requires that funds be set aside that will equal the full replacement cost at the end of the life cycle of whatever is involved -- roof, exterior paint, air conditioning units. Associations are required to file annual plans and have independent surveys done on a regular basis. School districts, however, face no such requirements.

Doing It Right

Despite the many stumbling blocks that school districts may see in the path to asset management, there are many districts that have risen above the fray and taken seriously the obligation to manage their facilities and their futures wisely. Some of these have worked closely with other levels of local government to build joint-use facilities. Others have forged consensus among developer s, local planners and residents for multi-year agreements of how to fund all needed school facilities. Some examples the Commission found in its study:

* San Diego Unified School District has a renowned system in place for long-range planning of facility needs and proactive asset management. Regularly updated, the long-range plan allows the district to present its needs clearly to the community, which has been supportive with added tax dollars. The district, which is the second largest in the State in terms of student population, is pursuing policies to encourage 90 percent usage of all space so that classrooms do not sit idle during teacher preparation periods; generates income from or uses as administrative space all schools closed during the 1970s because of declining enrollment; and aims for an economic, efficient balance between portable and permanent facilities.

* Modesto City Schools has aggressively pursued funding for capital outlay needs from a variety of sources, including developer fees, Mello-Roos districts and general obligation bonds. The district has worked closely with city planners to cope with growth in

developing areas. It also has tried innovative approaches, such as leasing facilities from the private sector for programs that are exempt from Field Act requirements and selling unneeded property at a high price after arranging for commercial zoning.

* Moreno Valley Unified School District, one of the highest growth areas in the nation, has grown 350 percent over the past decade and has used $170 million in statewide general obligation bonds to build 13 elementary schools, six middle schools and two high schools. The district has prided itself on working closely with city planners, jointly planning and providing recreational facilities and library/media centers. In addition, it has created a land bank trust to sell Certificates of Participation and buy land in advance of need. The district summarizes its efforts: "Looking into the future, the challenges for Moreno Valley Unified School District remain the same: to explore and aggressively obtain each and every financial source, work closely with state and local officials, design and construct facilities that are flexible and can be constructed in a rapid manner, and be ready for the next hurdle."[79]

* Simi Valley Unified School District has created a private/public partnership to develop unneeded school property. The revenue stream from the property will be used to meet school facility needs elsewhere. Los Angeles Unified School District also is pursuing this course, seeking development opportunities for its downtown administrative property that will yield revenue to construct administrative offices in cheaper areas and to provide school facility funding.

* Tracy Public Schools has forged a partnership with local city planners, providing input about school facility needs early in the development approval process so that the needs can be addressed. Early planning also has allowed the burden of constructing school facilities to be spread among several developers.

* Clovis Unified School District is recognized both for its close partnership with local government agencies in planning for future needs and constructing joint facilities, but also for its comprehensive long-range planning and

aggressive pursuit of a wide-ranging combination of funding sources.

- Brentwood Union School District worked out a seven-year agreement between the city, developers, builders and themselves that provides 100 percent funding for all needed schools. The package of funding includes pursuit of all available state funds, development impact fees and local general obligation bonds.

What appears to set these forward-thinking school districts (and others like them that the Commission may not be aware of) apart is an attitude that school facility needs are the responsibility of the school district -- not some other level of government. These districts use the wide range of alternatives available to them, forge community support by clearly expressing the problems and potential solutions, and move ahead in conjunction with other levels of local government to meet needs.

School districts can be told to fill out forms and meet state requirements, but it does not appear that it has been possible to mandate that they "do a good job" of planning and managing. In fact, some state policies and requirements appear to be counterproductive in terms of maximizing local responsibility and stewardship.

Recommendation #12: ***The Governor and the Legislature should modify the Naylor Act to require full market value pricing for sale of land for the purpose of developing school facilities or, at the very least, give school districts an equal opportunity to purchase surplus land from other governmental entities at discounted prices.***

It is not sensible public policy to put the desire to preserve open space above the need to provide adequate housing for school children. Schools should not be placed at an economic disadvantage when they attempt to sell unused assets to develop school facilities. The law can be refashioned to continue to require school districts to alert cities, park and recreation districts, and counties when surplus land is available but allow the districts to realize the full value of the property, regardless of who

the purchaser is, when the sale is for the purpose of developing school facilities. Short of that, the law could be reshaped to require cities, park and recreation districts, and counties to offer their surplus property at discount prices to school districts for school facilities.

Recommendation #13: ***The Governor and the Legislature should abolish unused-site penalties and requirements that discourage school districts from maximizing revenues from assets.***

Once the initial recommendation of this report is carried out and the State only steps in to fund school facilities as a last resort, the State will no longer have an interest in forcing all districts to exhaust their resources. Conversely, districts will find it in their own self-interest to manage property effectively once the school facility funding responsibility is solely theirs and they are faced with convincing local voters that additional revenues are needed because of student population demands.

Recommendation #14: ***The Governor and the Legislature should direct the appropriate state bodies to determine the added cost to school construction of public policies that dictate the use of prevailing wage and that set goals for minority/women enterprise participation.***

The Commission is not suggesting that the State should abolish prevailing wage and minority/women enterprise programs. But as in the case of the Field Act, it is important to know the costs attached to public policy and to review how effective each policy is in achieving stated goals. In the case of the Field Act, an intensive examination indicates the State's earthquake safety standards add about 4 percent to the cost of school facility construction and that despite this added expenditure many, many school children are not housed in protected buildings. The Field Act, however, undeniably does give greater

193 BEST COPY AVAILABLE

assurances of safety in return for the higher costs. Rigorous studies, similar to the Field Act examination, of the prevailing wage policy and minority/women enterprise hiring goals could be useful to the State.

Recommendation #15: ***The Governor and the Legislature should enact legislation to allow students to attend school in any district when their own neighborhood schools are too crowded to allow them to attend.***

A state law that would require school districts to lease and/or sell unused property to nearby districts that need it could be very difficult to enforce and might give rise to inequitable situations or be counterproductive to the goal of encouraging school districts to manage their assets wisely. However, students should not be forced to endure long bus rides when crossing district boundaries to nearby under-utilized facilities is feasible.

A policy of allowing students to cross district lines would encourage districts to open unused facilities as a way of attracting more students and gaining the extra state funding that is earmarked for each student.

Recommendation #16: ***The Governor and the Legislature should create a task force to examine the State's and school districts' approach to deferred maintenance and make recommendations that will place future building upkeep efforts on a sound foundation.***

Even if the State reshapes school facility financing to limit its own involvement, it still has a duty to protect citizens from any mismanagement by school districts that would result in the eventual devaluation of real property assets. Just as the State sets policy for how homeowner associations set aside funds for deferred maintenance, it

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should dictate to school districts a prudent, life-cycle-linked method of handling building repair and maintenance. A task force, under the auspices of the Office of Local Assistance or some other appropriate lead state agency, should examine how other states and other public entities address maintenance, repair and replacement needs.

Conclusion

Conclusion

Almost 2 million new students will be added to California's K-12 school system by the year 2000. Of all the varied strains that this increased population will place on the educational system, none will be so evident as the burden that will be placed on school facilities already bursting at the seams and fraying at the edges.

The Little Hoover Commission has examined the process that surrounds and permeates the construction of schools, and has reviewed the many demands and constraints placed on school districts regarding facilities. But the key question throughout the Commission's study was financial: Who will pay for the needed facilities?

Historically, local school districts have determined the need for new facilities, explained to local voters how they would like to meet those needs, and won approval of local bonds. But Proposition 13 disrupted this pattern until 1986 when statewide voters once again created a mechanism for local approval of general obligation bonds. During the 8-year window, the State stepped in as the primary payor of the costs for school facilities.

Today, the State is under tremendous financial pressures, at just the time when the need for financial support for new school facilities is rising to record highs. It is anticipated that more than $14 billion in new construction will be needed during the next five years. With a depressed economy, drooping tax revenues and more than $53 billion in other needed infrastructure improvements, the State cannot afford to underwrite school facilities. At the same time, the State has an obligation to ensure equitable facilities are available for all school children.

The Commission has, therefore, concluded that a new funding dynamic is necessary -- one that places the State in partnership with those districts that are not able to meet their facility needs but in all other instances returns the responsibility for school facilities to the local districts.

To assist local school districts, the Commission is encouraging the State to place on the ballot a measure that would modify the two-thirds vote threshold of approval for general obligation bonds. In addition, the State should revise its minimum standards for schools and classrooms so they are more flexible and capable of meeting modern needs.

Once the State is no longer the primary player in the construction of new school facilities, much of the application and approval process that has been created can be eliminated or streamlined so that school districts have maximum ability to be creative in meeting their needs. In pursuit of that goal, the Commission urges the State to take a one-stop shopping approach to the procedures it requires of school districts. In particular, the plan checking process in the Office of the State Architect -- which clearly is a key factor in the safety of school buildings -- should be supported and made more efficient.

While the Field Act operates well in ensuring that schools withstand earthquakes, there are ways for the State to grant school districts more flexibility without endangering student safety. The State already allows many students to attend school in non-Field Act buildings, some by explicit exemptions and waivers and others by lack of rigorous enforcement of the Act. Extending the waiver program and allowing school districts to prove Field Act-equivalency when the educational prospects seem to warrant it are reforms the State can embrace with very little detriment to safety.

Finally, if the State removes itself from the construction process, it should also back away from the laws, rules and regulations it has created that tie the hands of districts that need to maximize assets and plan long-term management strategies. This does not mean the State should not set a standard of behavior for school districts to follow; rather, local residents should have some assurance that school districts and their boards are bound by law to take their real property obligations seriously. In particular, the State should see to it that districts have a rational system for maintenance, repairs and replacements.

Once the State has returned to its role of ensuring safety, setting standards of practice for districts, and providing equity, the real job will be in the hands of local school districts. Those districts will need to establish relationships with local planning bodies and work to ensure that school needs are considered as growth occurs. Of

equal importance will be the job of convincing local residents that the need for facilities is severe and that the districts' approach to meet those needs is realistic. In short, school districts will have local control and local responsibility. The State's children will attend schools that provide a good environment for learning only if the districts take the steps that will allow them to live up to their obligations.

Appendices

- *Appendix A - School Facilities Subcommittee and Advisory Committee*
- *Appendix B - School Facilities Public Hearing Witnesses*
- *Appendix C - K-12 Enrollment, 1920-2005*
- *Appendix D - Excerpt from Field Act Cost Impact Study, Office of the State Architect*

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APPENDIX A

Little Hoover Commission
School Facilities Subcommittee

Richard R. Terzian, Chair
Mary Anne Chalker
Barbara Stone

Little Hoover Commission
School Facilities Advisory Committee

Mr. Joe Stein
President, State Board of Education

Mr. Bill Van Gundy
Executive Officer, State Allocation Board

Dr. Henry Heydt
Asst. Director, School Facilities
Planning Division
Department of Education

Mr. Harry Hallenbeck
State Architect

The Honorable Delaine Eastin
Chair, Assembly Education Committee

The Honorable Gary Hart
Chair, Senate Education Committee

The Honorable David Roberti
Senate President Pro Tempore

Mr. Sam Yockey
Director, Assembly Office of Research

Ms. Elisabeth Kersten
Director, Senate Office of Research

Mr. Chuck Nicol
Fiscal and Policy Analyst
Legislative Analyst's Office

Ms. Laura Walker, Senior Legislative Advocate
California School Boards Association

Mr. Dennis Meyers
Legislative Advocate, Association of California
School Administrators

Mr. Warren Furutani, President
Los Angeles Unified School District
Board of Education

Ms. Gloria Blackwell, President
California Congress of Parents,
Teachers and Students, Inc.

Mr. David Walrath
Coalition for Adequate School Housing

Mr. Dwight Hansen
California Building Industry Association

Ms. Janet McAuley
Private citizen

Mr. Ernest Lehr
Education consultant

Mr. John S. Howard
John S. Howard Realty

Mr. Ted Slaught
Charles Dunn Company

Mr. Mike Roos, President
LEARN

Ms. Peggy Funkhouser, Executive Director
Los Angeles Educational Partnership

Mr. Keith Caldwell
School Services of California

Mr. Michael Dillon
Association of Low Wealth Schools

Continued on next page

Mr. Robert P. McGrath, President
California Association of Relocatable Classrooms

Mrs. Eleanore Goldfinger
California Association of Large Suburban School Districts
Santa Clara Unified School District

Ms. Mary Bergan, President
California Federation of Teachers

Dr. David Sawyer, Superintendent
Clovis Unified School District

Mr. Constantine I. Baranoff
Director, Facilities and Planning
Elk Grove Unified School District

Mr. Guy Emanuele, Superintendent
New Haven Unified School District

Mr. Ray Rodriguez
Facilities Administrator
Sacramento City Unified School District

Ms. Helen Bernstein, President
United Teachers - Los Angeles

Mr. James C. Enochs, Superintendent
Modesto City School District

Mr. Raphael Belluomini, Superintendent
Fremont Unified School

Dr. General Davie, Superintendent
Natomas Union School District

Mayor Tom Bradley
City of Los Angeles

State Treasurer Kathleen Brown

Sally Filliman
Office of the Auditor General

Mr. Randolph B. Stockwell, Chair
Real Property Management and Development Task Force
Los Angeles County Economy and Efficiency Commission

Mr. James W. Guthrie
PACE
School of Education
University of California, Berkeley

Tom Gibbons
Private citizen

David Booher
CCEEB

Rick Simpson
Office of the Speaker of the Assembly

Judy Sektnan
CCAIA

Stephanie Gonos
Joint Legislative Committee on School Facilities

Robert Lee, Superintendent
Moreno Valley Unified School District

APPENDIX B

Witnesses Appearing At
Little Hoover Commission
School Facilities Public Hearing

March 18, 1992, Sacramento

C. Douglas Brown, Deputy Administrator
Los Angeles Unified School District

Dwight Hansen
California Building Industry Association

Panel of School Districts

Superintendent Guy Emanuele, New Haven Unified
Debbe Bailey, Planning & Research, Modesto City Unified
Ruben Carriedo, Planning & Research, San Diego Unified

Bill Van Gundy
Office of Local Assistance and State Allocation Board

Harry Hallenbeck
State Architect

Diane Kirkham
Special Advisor to State Superintendent of Public Instruction

Jim Murdoch
Coalition for Adequate School Housing

Jeff Horton
LAUSD Board of Education

John Howard
John Howard Realty

APPENDIX C

K-12 Enrollment in California 1920-2005

Year	Students	Change from Previous Year	Change
1920	684,806	64,144	10.33
1921	732,007	47,201	6.89
1922	779,723	47,716	6.52
1923	865,225	85,502	10.97
1924	903,860	38,635	4.47
1925	942,804	38,944	4.31
1926	961,166	18,362	1.95
1927	1,002,589	41,423	4.31
1928	1,030,806	28,217	2.81
1929	1,064,819	34,013	3.30
1930	1,094,622	29,803	2.80
1931	1,107,324	12,702	1.16
1932	1,107,033	-291	-0.03
1933	1,100,835	-6,198	-0.56
1934	1,103,582	2,747	0.25
1935	1,118,096	14,514	1.32
1936	1,152,995	34,899	3.12
1937	1,179,194	26,199	2.27
1938	1,178,356	-838	-0.07
1939	1,184,660	6,304	0.53
1940	1,200,997	16,337	1.38
1941	1,225,850	24,853	2.07
1942	1,242,995	17,145	1.40
1943	1,286,020	43,025	3.46
1944	1,353,091	67,071	5.22
1945	1,430,030	76,939	5.69
1946	1,467,182	37,152	2.60
1947	1,428,380	-38,802	-2.64
1948	1,506,098	77,718	5.44
1949	1,590,151	84,053	5.58
1950	1,661,051	70,900	4.46
1951	1,806,598	145,547	8.76
1952	1,932,035	125,437	6.94
1953	2,097,229	165,194	8.55
1954	2,248,527	151,298	7.21
1955	2,411,834	163,307	7.26
1956	2,593,907	182,073	7.55
1957	2,779,308	185,401	7.15
1958	2,944,168	164,860	5.93
1959	3,137,233	193,065	6.56
1960	3,304,485	167,252	5.33
1961	3,472,046	167,561	5.07
1962	3,651,996	179,950	5.18

Year	Students	Change from Previous Year	Change
1963	3,837,080	185,084	5.07
1964	3,991,595	154,515	4.03
1965	4,121,442	129,847	3.25
1966	4,235,167	113,725	2.76
1967	4,330,375	95,208	2.25
1968	4,414,735	84,360	1.95
1969	4,440,924	26,189	0.59
1970	4,457,325	16,401	0.37
1971	4,424,264	-33,061	-0.74
1972	4,376,821	-47,443	-1.07
1973	4,329,281	-47,540	-1.09
1974	4,295,414	-33,867	-0.78
1975	4,284,471	-10,943	-0.25
1976	4,235,525	-48,946	-1.14
1977	4,157,000	-78,525	-1.85
1978	4,041,598	-115,402	-2.78
1979	3,974,377	-67,221	-1.66
1980	3,941,997	-32,380	-0.81
1981	3,976,676	34,679	0.88
1982	3,984,738	8,062	0.20
1983	4,014,003	29,265	0.73
1984	4,078,743	64,740	1.61
1985	4,180,265	101,522	2.49
1986	4,301,140	120,875	2.89
1987	4,407,907	106,767	2.48
1988	4,512,963	105,056	2.38
1989	4,668,000	127,524	2.83
1990	4,842,000	165,764	3.57
1991	5,039,000	182,764	3.80
1992*	5,250,000	196,605	3.94
1993	5,479,000	195,278	3.77
1994	5,733,000	181,948	3.38
1995	6,018,000	162,645	2.92
1996	6,292,000	147,232	2.57
1997	6,546,000	123,408	2.10
1998	6,772,000	95,342	1.59
1999	6,979,000	73,580	1.21
2000	7,171,000	54,427	0.88
2001	7,214,797	43,797	0.70
2002	7,245,211	30,414	0.49
2003	7,254,005	8,794	0.14
2004	7,250,582	-3,423	-0.05
2005	7,240,923	-19,659	-0.31

*1992-2005 are enrollment projections

Source: Department of Finance, Demographic Research Unit

APPENDIX D

DEPARTMENT OF GENERAL SERVICES

OFFICE OF THE STATE ARCHITECT

FIELD ACT COST IMPACT STUDY

WORK GROUP REPORT

May 5, 1992

I. REPORT SUMMARY

A. OVERVIEW

1. One of the most inconsistent "rumors" about the Field Act relates to its cost impact on school construction. The rumors range from 2% to 30%, and it has even been misstated at 75%! Over the years, various statements and reports have been made about the cost impact, but none have achieved a sufficient level of acceptance as to become authoritative.

2. The comment most often heard is that the "code" requirements of the Field Act are significantly more costly than those of the Uniform Building Code (UBC). Determining whether this is true or not is the purpose of this Field Act Cost Impact Study.

3. In an attempt to objectively and realistically quantify the cost impact, the Office of the State Architect (OSA) conducted this Cost Impact Study comparing *actual costs* of several completed "public school" projects, designed and constructed to Field Act requirements, with *estimated costs* of the same "public school" projects as if they had been designed and constructed under the requirements of the Uniform Building Code.

4. It is important to remember that the Field Act is not a building code, as such, but rather a law which establishes a higher level of safety for public school buildings than that required for other non-public buildings. In response to that law, the State building code, Title 24, Parts 1 and 2, and OSA interpretations are written and adopted periodically.

5. This Cost Impact Study focuses on the differences between (1) the combined effect of the Field Act and Title 24, and (2) the UBC.

B. OUTLINE OF FIELD ACT REQUIREMENTS

1. The Field Act is found in the Education Code, Sections 39140 through 39157 (K-12 schools) and 81130 through 81147 (Community Colleges).

2. It provides for the establishment of a procedure to be followed in the design and construction or alteration of public school buildings used for elementary, secondary, or community college purposes for the protection of life and property. The State Supreme Court has held that the Act is broad and comprehensive and includes the whole field of construction regulations.

3. The principal provisions of the Act require that:

   a. Plans be prepared by qualified persons who know the principles of safe building construction. Regulations require this to be a California licensed architect or structural engineer.

b. Designs be checked by an independent state agency and design errors or omissions be corrected on the plans before a contract for construction is let. This is OSA's responsibility.

c. Construction be continuously inspected by a qualified person, approved by OSA, who is employed by the School Board who shall see that plans are complied with.

d. The responsible architect and/or structural engineer shall observe the work of construction and prepare the plan changes necessary to overcome unforeseen field conditions.

e. All parties concerned (architects, engineers, inspectors, contractors) must file verified reports, under penalty of perjury, that approved plans were complied with in the construction.

4. In general, the provisions of Title 24 apply to design and inspection standards which are applicable to all school building construction types. Title 24 is reviewed and up-dated regularly, and there is a Field Act Advisory Committee which reviews those elements of the code that apply to school design and construction. The Field Act, as such, does not define code items. Thus, two facts should be understood:

   a. The "building code" that governs school design and construction is not an "out-dated" code which may have lost its value, but rather a current building code which has been updated through the normal state code adoption process, and,

   b. Proposed changes in the code requirements would be handled through the normal code-adoption process as opposed to changes in the Field Act.

5. The Field Act establishes a level of quality, and identifies certain processes for quality assurance.

C. SUMMARY COST ANALYSIS

1. The following, Summary Cost Comparison Chart, summarizes the percentage of differential cost impact of the various school projects included in this Cost Impact Study.

2. The projects are listed in ascending order of size regardless of type or location.

3. Definitions:

   a. "Hard Cost" refers to costs directly related to the construction of the project and is typically characterized as that work included in the general contractor's contract. These costs are most effected by Title 24 requirements.

b. "Soft Cost" refers to costs related to the project (but exclusive of Hard Costs) such as design, fees and permits, testing and inspection etc. These cost are most effected by Field Act requirements.

c. "% Diff" is the percentage relationship between the cost differential (Title 24 costs minus UBC costs) when compared with the UBC cost.

d. "Averages" shown are simple averages derived by dividing the total for all projects by the number of projects.

4. Summary Cost Comparison Chart

Identification	Hard Cost % Diff	Soft Cost % Diff	Total %Diff
1. Wagner Holt, K-6, 1-stry, Wood, $4.9 mil	1.90	3.01	4.91
2. John Kennedy, K-6, 2-stry, Masonry, $5.1 mil	1.78	3.75	5.53
3. North La Verne, K-6, 1-stry, Wood, $5.4 mil	1.57	1.96	3.53
4. Silva Valley, K-6, 1-stry, Wood, $5.4 mil	1.38	2.02	3.40
5. Vinyard, 7-8, 1-stry, Wood, $8.9 mil	1.58	1.93	3.51
6. Park View, 7-8, 1-stry, Wood, $9.8 mil	1.93	1.61	3.54
7. S Jackman, 7-8, 1-stry, Wood/steel, $11.5 mil	1.65	1.54	3.19
8. Florin, 9-12, 1-stry, Wood, $18.5 mil	1.77	1.86	3.63
9. Bear Creek, 9-12, 1-stry, Wood, $19.1 mil	2.48	1.85	4.33
Averages	1.78	2.17	3.95

5. The detailed breakdown of costs of the various line-items for each project is shown in SECTION V. PROJECT COST ANALYSIS.

D. FINDINGS

The findings of the Cost Impact Study indicate the following:

1. The "Hard Cost % Diff" for each individual project, ranges from 1.38% to 2.48% with an average for all 9 projects of 1.78%. Project # 9 appears significantly higher than the average.

2. The "Soft Cost % Diff" for each individual project, ranges from 1.54% to 3.75% with an average for all 9 projects of 2.17%. Projects # 1 and 2 appear significantly higher than the average.

3. The "Total % Diff" for each individual project, ranges from 3.19% to 5.53% with an average for all 9 projects of 3.95%. Excluding Projects # 1, 2 and 9, the average for the remaining 6 projects is 3.46%.

II. METHODOLOGY

A. COST IMPACT STUDY PARTICIPANTS AND DATA PROVIDED

1. The Work Group is comprised of representatives from several basic areas of involvement in the school construction process; architects, engineers, contractors, and school districts.

2. Each participant is actively involved in some aspect of the design and construction of schools, and provides a particular point of view and expertise. For the most part, the participants can be considered specialists in school facilities, although many of them are actively involved in other project types as well.

3. The participants each provided cost data which came from either their own record files or from research of other records. Some of the data came from public records and some from private. The data provided has been reconfigured into the report format and, of course, is public information. The contractor's detailed estimates which are the basis of the data contained in this report, remain in their own files, but are available for verification of the methodology, if necessary.

4. The report purposely avoids identifying any linkage between the individual school projects and their contractor, architect and/or engineer in order that the findings may be presented with maximum objectivity.

5. The participants are listed immediately after the inside cover page.

B. COST IMPACT STUDY PROCESS

1. The Cost Impact Study was a focused effort consisting of two, one-day workshops with additional time for construction estimating, and final report writing.

2. Each participant contributed their own particular area of knowledge and expertise to the development of the data, information and consensus upon which the Cost Impact Study's findings are based.

3. The Cost Impact Study focused on specific projects which had been actually constructed by the contractors and which the participants believed were a representative sampling of typical new school projects.

4. First Workshop

   a. The Workshop was facilitated by the State Architect.

   b. Contractors brought the actual construction "hard costs" of two or three of their completed projects including change orders.

c. Others brought information relating to "soft costs" such as design, permits, inspection costs etc.

d. The participants agreed on the process; reporting format, and responsibilities.

e. The participants debated and concluded on the relative cost impact of various "line items" of construction in detail.

f. Estimating assignments were made for comparing the actual "Title 24 (Field Act) costs" with the projected "UBC costs".

5. Estimating Process

a. Each contractor had two responsibilities:

(1) To translate their actual "Field Act" hard costs into the reporting format, and

(2) To estimate the projected "UBC" hard costs for each line item in the same reporting format.

b. The contractors' work was done in their own offices during the time between the First and Second Workshops.

c. The architects, engineers and school districts provided similar input on the soft costs for each project.

d. Contractors provided the results of their estimating efforts comparing the actual construction "hard costs" of completed "Field Act" projects compared with the "UBC" projection.

e. Others provided comparable information relating to "soft costs" such as design, permits, inspection costs etc.

f. OSA consolidated the information provided into the report format in preparation for the Second Workshop.

6. Second Workshop

a. The Workshop was facilitated by the State Architect.

b. The information contained in the consolidated report format was presented for the participants' review.

c. The participants reviewed, debated and agreed upon all line items of the estimates for all projects.

d. The conclusion of this Workshop was the agreement on the comparative cost impact.

7. Report Writing

a. The Office of the State Architect is the author of the final Report based upon the conclusions of the Second Workshop.

C. ASSUMPTIONS

Certain assumptions were made to provide guidelines and a framework within which to conduct the Cost Impact Study. These assumptions establish objective criteria for making the study, as opposed to subjective issues which are related to, but not a part of, the study. The assumptions are as follows:

1. Code Basis

a. The cost comparison is based upon the 1988 editions of both the Uniform Building Code (UBC) and Title 24, Parts 1 and 2, of the California Code of Regulations (T24) as being the current codes and under which most of the representative projects were built.

2. Code Enforcement

a. The Cost Impact Study assumes a comparable level of enforcement of both codes; i.e., both codes enforced as written. This means, for instance, that if both codes had the same testing requirement for a particular item, there would not be any cost differential even if that aspect of the code was not enforced under one or the other code.

3. Basic Design

a. The Cost Impact Study assumes that both the T24 and UBC projects are "public" schools and therefore, any exemptions from local ordinances or other "fee" items are applicable to both. This is in contrast to a "private" school project which may be subject to additional "fee" items.

b. The Cost Impact Study assumes that both the T24 and UBC buildings are of identical design with regard to functional, spatial and aesthetic aspects.

c. Thus, if the UBC allows fewer design elements, such as number of light standards, or access ramps, etc., that difference is not reflected.

d. The cost impact of design differences is more related to the School District's optional requirements than to code, and any analysis would entail a complete redesign of the project which is beyond the ability of this report.

4. Land Cost

   a. The Cost Impact Study assumes that all costs related to the acquisition and ownership of the property on which the school project is built are not subject to the Field Act and are not typically part of the contractor's responsibility on the project. Land Costs are not included in this Study.

5. Off-Site Improvements

   a. The Cost Impact Study assumes that Off-Site Improvements are not subject to the Field Act and are not typically part of the contractor's responsibility on the project. The costs of Off-Site Improvements are not included in this Study.

6. Site Improvement Costs

   a. There are typically two categories of Site Improvement Costs related to a school project:

      (1) The "Service Site Improvements" costs typically include rough grading, primary utility extensions and other work in preparation of a "buildable" site prepared for the actual project construction. This work can vary significantly from project to project depending on the terrain and other natural conditions of the site. As a result, this work is often constructed under separate contract from the "building contract".

      (2) The "General Site Improvements" costs typically include fine grading, secondary utility extensions and other work directly related to the finished project. This work is generally more consistent in scope, and is usually part of the "building contract". However, if the "Service Site" work is not extensive, that work may also be included in the General Site Improvements.

   b. The Cost Impact Study includes both categories of site improvement costs. However, in which category the cost is located, will vary depending on the needs of the individual project.

7. Access and Fire & Life Safety Requirements

   a. The Cost Impact Study assumes that all State mandated Access and Fire codes apply equally to T24 and UBC type projects, and therefore have no differential cost impact.

8. Relocatable Structures

   a. The Cost Impact Study is focused on new construction and does not address the cost impact on relocatable structures or renovations.

IV. CODE COMPARISON

A. There are very few significant differences between the code requirements of Title 24, Parts 1 and 2 (the Field Act) and the Uniform Building Code.

B. The Code Comparison Chart, on the following pages, is a compilation of some of those differences which the Work Group participants agreed have the most impact on new school construction.

C. The Code Comparison Chart is intended to provide information regarding the basis of cost impact which the Work Group used to analyze the differences between a Title 24 project and a UBC project. However, it is not intended to be a detailed or complete dissertation of the actual differences between the two codes, and it should not be used as a guide in their interpretation.

D. The Chart is in a "table" format for side-by-side comparison of the two codes. The right hand column indicates the magnitude of cost impact difference estimated by the Work Group. The difference is most often expressed in terms of a % of the item or quantity involved.

E. The line-items shown are listed in the order that corresponds to the Project Cost Analysis spread sheets. However, the spread sheets second-most right hand column, titled "Diff $/GSF" is expressed in dollars not percentage, since those are the actual amounts of difference estimated by the participants for each individual project.

F. In discussion of the various cost factors, it became apparent that the building codes (Title 24 and/or UBC) effect the Hard Costs, and the Field Act effects the Soft Costs. Thus, this "Code" comparison is a combination of both factors.

CODE COMPARISON CHART

	ITEM	TITLE 24	1988 UBC	DIFF
ROUGH GRADING, STORM & SANITARY DRAINAGE				
	No items noted			0%
PAVING, SIDEWALKS, CURBS & GUTTERS				
	No items noted			0%
WATER SERVICE, FIRE HYDRANTS				
	No items noted			0%
MISCELLANEOUS SITE STRUCTURES				
	Several areas noted such as retaining walls etc. but cost impact covered elsewhere			Varies by project
LANDSCAPING & IRRIGATION				
	No items noted			0%
FOUNDATIONS				
	Excavation	Increase results from other code items	Minimum standards	33% more qnty
	Form work	Increase results from other code items	Minimum standards	10% more qnty
	Depth of footings	Increase results from rebar configuration requirements	Minimum standards	6" more depth in shear walls
	Minimum footing reinforcing	1 #5 top & bottom minimum	Un-reinforced allowed, but not usual in schools	15% more rebar, all footings
	Anchor bolts	5/8" dia @ 4'-0" maximum	1/2" dia @ 6'-0"	15% more ABs in shear walls; 100% in others
	Concrete	Increase results from qnty	Minimum standards	20% more qnty
	Curbs for Wood Sills above grade	12" (6" with protection)	6"	100% more qnty in exterior

	6" concrete curb at Toilet Rms	Required	No requirement	100% more qnty
	Masonry starter course	Required for bearing	Not required	5% masonry per LF
	Tie Downs at wood shear walls	Increase required by seismic design factors	Minimum standards	15% more Tie Downs in shear
	Dry pack at wood exterior and shear walls	1/2" continuous grout bed	Not required	100% more item
STRUCTURAL SYSTEM				
	Wood "conventional" framing	Not allowed; must have project specific design	Conventional standards allowed, but not usual in school projects	0%
	Wood repetitive member design	Not allowed	Allowed	5% more qnty
	Wood 5% below stress grade rating	Not allowed	Allowed, but not usual in school projects	0%
	Wood floor & roof joist bridging	Maximum 8' and 10' respectively	No additional requirements	5% more qnty
	Wood / light metal plate & pre-manufactured trusses	Calculations, justification & details required or single source commonly used	Not required	20% more cost of truss
	Wood / light metal plate & pre-manufactured trusses	Special blocking & bridging	No requirement	50% more qnty of blocking
	Lateral force diaphragms	Maximum ratios limited, 3:1	Limited by shear capacity	0%
	Wood particle board diaphragms	Not allowed	Allowed	20% more cost of item
	Gypsum shear walls	Not allowed	Allowed (value reduced in '88) but not usual in school projects	0%
	Masonry empirical design	Not allowed	Allowed	0%
	Masonry cells filled	All cells filled solid, no cavity walls, max 2' lifts	Optional based on stresses, max 4' lifts	5% more grout
	Masonry reinforcement minimums	0.3%, max 2' on cntr	0.2%, max 4' on cntr	50% more rebar
	Steel Load Resistant Factor Design	Not allowed	Allowed with special detailing	0%
	Steel deck diaphragms	Minimum 20 ga thickness	No minimum requirement, but practical limitation min 24 ga	5%
	Cabinet support, general	Calculations required, show details on drawings required	No requirements	5% more item
	Wall-hung cabinet support	Backing for anchorage required	No requirements	100% more item

EXTERIOR WALL FINISHES				
	Wood "conventional" framing	Not allowed; must have project specific design	Conventional standards allowed	0%
	Treated sill plate	AWPB stamp required	No Requirement	10% more item
	Lateral force diaphragms	Maximum ratios limited, 3:1	Limited by shear capacity	33% more qnty shear diaphragm
	Wood particle board shear walls	Not allowed	Allowed	20% more item in shear walls
	Gypsum shear walls	Not allowed	Allowed (value reduced in '88)	not applicable
	Plywood shear diaphragm applied over non-shear element	Not allowed	Allowed	0%
	Veneered walls deflection	Limited to L/480	L/240	0%
	Concrete Tilt-up wall reinforcing	Higher minimums	Minimum standards	10% more item
	Concrete Tilt-up poured columns	Required	Not required	100% more joint cost
EXTERIOR DOORS & WINDOWS				
	No items noted			0%
ROOFING				
	Concrete or Clay tile type and nailing	Special requirements	No special requirements	30% more item
INTERIOR FLOOR FINISHES				
	No items noted			0%
INTERIOR WALL SYSTEMS				
	All items similar to Exterior			0%
CEILING SYSTEMS				
	Plaster soffits	Special attachment required	No requirement	5% more item
	Light-duty suspended ceiling	Not allowed	Allowed	0%
	Suspended ceiling system	Wire attachment specified 3 "tight turns"	No specification	0%

	Anchors to structure above for ceiling	Inserts required	No requirement	5% more item
TOILET ROOMS				
	No items noted			0%
STAIRS & ELEVATORS				
	Elevator code requirements	T24, Part 7,	Same, over-rides UBC for all buildings	0%
MISCELLANEOUS				
	No items noted			0%
FIRE SPRINKLER SYSTEM				
	No items noted			0%
PLUMBING SYSTEMS				
	Piping	UBC (T 23-P) required plus anchorage per SMACNA seismic requirements	UBC (T 23-P) plus sufficient to carry pipe and contents	0%
	Fixtures	UBC (T 23-P)	UBC (T 23-P)	0%
HEATING, VENTILATING & AC SYSTEMS				
	Equipment	UBC (T 23-P) required plus anchorage per SMACNA seismic requirements	UBC (T 23-P)	0%
ELECTRICAL SYSTEMS				
	Equipment	UBC (T 23-P)	UBC (T 23-P)	0%
	Large conduit	UBC (T 23-P)	UBC (T 23-P)	0%
	Pendant light fixture	Safety wire required	No requirement	3% more item
OTHER				
	No items noted			0%

GEN CONTRACTOR OVERHEAD & PROFIT				
	No items noted			0%
ARCHITECT & CONSULTANTS				
	Architect	Basic services, plus additional processing	Basic services	Same Fee % + 5% processing
	Structural Engineer	Basic services, plus additional processing	Basic services	Same Fee % + 25% processing
	Mechanical Engineer	Basic services, plus additional processing	Basic services	Same Fee % + 3% processing
	Electrical Engineer	Basic services, plus additional processing	Basic services	Same Fee % + 3% processing
	Civil Engineer	Basic services, plus additional processing	Basic services	Same Fee % + 1.5% process'g
	Landscape Architect	Basic services, plus additional processing	Basic services	Same Fee % + 1.5% process'g
	Cost Estimator	Basic services	Basic services	Same Fee %
	Other	Basic services	Basic services	Same Fee %
AGENCY REVIEW & PERMIT FEES				
	Plan Check & Permits SSS & SFM	Published schedule	Published schedule	Calculated per project
	Elect, Plumb, & Mech	Not included	Separate schedule	None
	Disabled Access	Published schedule	Included in basic Plan Check	100% more
TESTING & INSPECTION				
	School District Inspector (IOR)	Full Time	Not required	100% more item
	Masonry Inspection	Continuous special inspection required for all work	Not required if design stress is reduced	50% more item
	Masonry Core Testing	Required	Not required	100% more item
	Concrete Batch Plant Inspection	Required	Not required	100% more item
	Concrete Testing Cylinders	Samples every 50 cubic yards for all stress levels	Samples every 150 cy; not reqd less than 2500 psi	100% more qnty
	Concrete Reinforcement Testing	Required if no Mill certificate	Not required	100% more item

	Expansion Anchor Testing	Required	Not required	100% more item
	Steel Shop Testing & Inspection	Required	Not required	100% more item
	Steel Field Inspection	More requirements	Minimum requirements	20% more qnty
	Glulams and Trusses	Special Inspection	Not required	100% more item
	Concrete and Clay Tile	Special Inspection	Not required	100% more item

Endnotes

Endnotes

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LITTLE HOOVER COMMISSION FACT SHEET

The Little Hoover Commission, formally known as the Commission on California State Government Organization and Economy, is an independent state watchdog agency that was created in 1962. The Commission's mission is to investigate state government operations and through reports and recommendations, promote efficiency, economy and improved service.

By statute, the Commission is a balanced bipartisan board composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assembly members.

The Commission holds hearings on topics that come to its attention from citizens, legislators and other sources. But the hearings are only a small part of a long and thorough process:

* Two or three months of preliminary investigations and preparations come before a hearing is conducted.

* Hearings are constructed in such a way to explore identified issues and raise new areas for investigation.

* Two to six months of intensive fieldwork is undertaken before a report, including findings and recommendations, is written, adopted and released.

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